

JPRS-UIA-89-014  
11 SEPTEMBER 1989



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# ***JPRS Report***

# **Soviet Union**

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***International Affairs***

# Soviet Union

## International Affairs

JPRS-UIA-89-014

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11 SEPTEMBER 1989

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### MFA Spokesman Gerasimov Profiled

18070718 Moscow SOVETSKAYA KULTURA  
in Russian 22 Jul 89 p 7

[Article by Vladimir Sokolov: "The Tuesday Man" ]

[Text] Dear Editor!

I have been and am a faithful reader of your paper. Although politics does not interest me very much, some time ago I began to read Gennadiy Gerasimov's commentary, appearing on page 7 on Tuesdays. I am drawn to the author's erudition, authoritative viewpoint, conciseness, manner of expression, and his non-standard view of actual events. Please tell us about the author of these articles.

L. Morozova, Moscow

"A new type of a PR professional", "the visible face of the Soviet Union", "a renovated image of the Soviet press." These are some of the descriptions given by the foreign press of Gennadiy Gerasimov, who conducted the press-conferences during M.S. Gorbachev's foreign tour recently. These eye-catching tongue-in-cheek definitions fail to paint a full portrait of the head of the Information Administration of the USSR Ministry of Foreign Affairs, better known in the West as the Soviet spokesman. An interview with Gerasimov, that we are publishing at the request of one of our women readers, adds some brush strokes to his portrait.

Gennadiy Gerasimov, age 59, lives just within a ten-minute walk from the USSR Ministry of Foreign Affairs. But it took him more than 20 years to become the head of the MFA Information Administration. And this in spite of the fact that no stop sign has ever barred his path, whereas good fortune and talent paved his way throughout, right into this high-rise in Smolenskaya Square.

Gerasimov started his career as a NOVOYE VREMYA journalist after he received his law degree. He then moved to the TRUD newspaper to cover international affairs. It was there that he learned the journalist's credo: "Writing brings satisfaction, publishing an article involves responsibility". He proved his mettle as a journalist in the Prague-based journal, PROBLEMS OF PEACE AND SOCIALISM.

Gerasimov worked as a "Novosti" Press Agency (APN) political observer in the late 1960s. He was sent to the U.S. as a APN correspondent in the 1970s, the job that finally groomed him as an international columnist.

Back in Moscow, while continuing to work for APN, he hosted the Sunday TV show "International Panorama", - and became its popular anchorman.

In 1983, he was appointed the editor-in-chief of MOSKOVSKIYE NOVOSTI, which at that time was being published in Russian, English, French, Arabic and

Spanish editions. With Gerasimov as its head the newspaper started a more open and daring coverage of and commentary on international events, and a more varied, and in-depth look at life in the Soviet Union. The weekly seemed to anticipate the coming of the fresh and invigorating winds of glasnost and perestroika.

During the summer of 1986, while Gerasimov was vacationing in a Sochi sanatorium, he received a call from the Ministry of Foreign Affairs. He was offered a new position—head of the Information Administration of the MFA. Gerasimov asked for a week to think it over.

"The day after I said yes to the job I flew to Budapest with E. A. Shevardnadze," recalls Gennadiy Ivanovich. "I received my baptism of fire there at the Warsaw Treaty Conference as MFA spokesman."

[V. Sokolov] My colleagues believe that it is hard for a journalist to get along with Foreign Ministry officials. What is your experience?

[Gerasimov] From the outset Comrade Shevardnadze gave me the necessary authority and his full confidence. I can call him directly any time of day. This kind of arrangement made my so-called "initiation" at the MFA and carrying out my duties much easier.

The Information Administration chief begins his working day at 9 a.m. Gerasimov has an official car at his disposal, but he prefers to walk to the Ministry every morning. Hardly ever can he find more time than these 10 minutes every morning to devote to his health.

He starts his day by reading newspapers, TASS reports, and the most important foreign articles which have been "digested" for him by his aides. Then he reads ambassadors' cables and exchanges opinions with coworkers in the various MFA departments.

One of Gennadiy Gerasimov's duties is to hold press-conferences and briefings for Soviet and foreign correspondents at the MFA press center.

[Sokolov] Journalists have noted an improvement in the style of the press center's work after you took the job. Any comments?

[Gerasimov] Jean Eleule, a French professor, wrote in his well-known book "Propaganda" that "propaganda stops where a simple dialogue begins." We have begun such a dialogue at the press center. This has been facilitated by the ongoing restructuring of the Ministry of Foreign Affairs and the Soviet mass media. I am still a journalist at heart and understand the correspondents' needs. That is why I have tried to give them greater access to sources of information, to organize meetings with a more varied circle of Soviet experts, but also to hold regular press conferences and briefings three-four times a week.

In affirmation of Gerasimov's words, I would like to quote Michael Dobbs, the WASHINGTON POST Moscow bureau chief, who said: "We used to be able to



rub shoulders at a bar or to wag our tongues with colleagues. But now we have to give up these innocent pleasures - we have no time. They have more briefings and press conferences than you have working days in a year. You have to be on your toes 24 hours a day. That is why they added another ten days to my four weeks of annual leave." His English colleague from THE TIMES added that "maybe Gorbachev has been trying to restructure the Soviet mass media, but one can say that he has been successful with the American information agencies. First he neutralized those American correspondents who were either cynical or negative. Now such official representatives as Gennadiy Gerasimov are always ready to grant an interview in good English and his press conferences are solid, well-wishing and information-packed. He parries our most sharp and difficult questions with an enviable ease."

"With ease?" queries Gerasimov with a chuckle. "Somebody said that journalists' pens can fire further than guns. That means that I who 'charge' these guns must keep my powder dry."

That is what Gerasimov is all about. You expect a serious answer, but he can get away with a joke or aphorism told with his characteristic sense of humor, making you wonder what he really meant to say. But I know that this apparent ease is the result of years of studying special works on communications logic, social psychology, and painstaking spadework with news items before he meets with journalists, and of course, of his general erudition.

A correspondent of Britain's THE INDEPENDENT wrote about Gerasimov after one of his London press conferences: "He is very crafty. He can be evasive without seeming to be. He is most adept at sweeping the issue under the rug in no time at all."

While giving this astute observation by the Western colleague its due, I'd like to make it clear where this "art" is coming from. During a press conference or briefing, Gerasimov cannot in any way violate "the impartiality doctrine" of an MFA spokesman, even when discussing very particular domestic issues. But he must try to win the trust of the numerous journalists from dozens of countries with his charisma and prestige. He does this by using a whole host of nonverbal tactics such as irony, meaningful pauses, and facial expressions - this is the "Gerasimov way" of commenting on one issue or another.

When Gerasimov was appointed to the post of chief of the Information Administration, which is equivalent in rank to an ambassadorial position, E. A. Shevardnadze told him that a diplomat has two duties: first, to conduct his country's policy and second, to explain it. Gerasimov is doing this job with his characteristic thoughtfulness, conviction, and tact, especially essential today when the USSR is establishing a new type of relationship with other countries and their leaders, and when a new way of thinking is taking root in the international arena.

The magazine PUBLIC RELATIONS WEEK wrote that the new MFA chief of the Information Administration "embodies the radically changed face that the Soviet press is showing to the world." But he sounded a warning at the same time, invoking a story about Gerasimov and British Prime Minister Margaret Thatcher.

Accidentally running into Gerasimov in a London TV studio, she turned to her escorts and said: "Do you see that nice, well-dressed man? Look out, don't let him fool you. Behind that exterior there still lies a Communist!"

I'll dare to expand on the Prime Minister's comment. Gerasimov is not just a Communist, but a diplomat and a journalist. His professional ethics rest on two principles - be accurate and verify the source of information. In his work, he is guided by the spirit of the final document adopted at the Vienna meeting which urged every effort to promote the spread of all types of truthful information, facilitate cooperation in this field, and improve working conditions for journalists.

Before bidding good-bye to Gerasimov, I complained that during the press conference the press people are not satisfied with some answers.

"One well-respected British newspaper also made the reproach that 'glasnost means the opportunity to ask more questions, but does not guarantee that they will be given direct answers.' I'd like to parry this reproach by quoting Goethe who said: 'Ask intelligent questions if you want intelligent answers'," concluded Gerasimov while shaking my hand.

And with that I bid farewell to him.

### **Sputnik Youth Tourism Organization Described**

18070654 Moscow ARGUMENTY I FAKTY in Russian  
No 23, 10-16 Jun 89 p 4

[Interview with Zh. Koidze, deputy chief of the information section, "Sputnik" International Youth Tourism Bureau, conducted by V. Romanenko: "Can I?"]

[Text] A Soviet tourist's stay in the USA costs 80 rubles a day, while an American tourist's stay in the USSR costs much less.

In spite of glasnost, there are organizations, specifically the "Sputnik" International Youth Tourism Bureau, about whose activity we essentially know nothing. We get the impression that only Komsomol functionaries travel abroad along the "Sputnik" line. I have not seen any information anywhere on its specific work, its tourist exchange program, the make-up of its delegations, etc. Can a rank-and-file Komsomol member expect to take a trip? ...I. Sarzhin, Magnitogorsk

We asked ZH. KOIDZE, deputy of the "Sputnik" BMMT [International Youth Tourism Bureau] Information Section, to comment on this letter.

[Koidze] At the present time, the BMMT "Sputnik" cooperates with over 170 foreign organizations of varying social and political orientation in 66 countries throughout the world. "Sputnik" has 17 partners in the socialist countries and 154 partners in the capitalist and developing countries.

Along the line of international tourism, in 1988 the volume of tourist exchange with the socialist countries exceeded 330,000 persons. In the sphere of tourism with the capitalist and developing countries, in 1988 the USSR received and sent abroad 96,000 and 17,600 persons, respectively.

The development of youth tourism is hindered by the shortage in the hotel base. There are only 19 youth centers and 5 hotels. Unfortunately, builders did not assimilate 42 percent of the funds allocated for this purpose at the beginning of the five-year plan.

Serving 5 million people a year, "Sputnik" receives 93 percent of them on leased facilities. We are striving to keep the cost of "Sputnik" travel passes low. Therefore, probably, we are not always lucrative clients for various organizations throughout the country.

Sometimes the situation reaches the point of absurdity. "Sputnik" is energetically engaged in student tourism. However, the VUZes are not eager to agree to housing tourists in their dormitories during school vacations. Yet at the same time they provide [these facilities] for those who will pay more.

Today there are 346 workers in the "Sputnik" apparatus. Among them, 160 are so-called response workers. At the same time, 150 positions have been eliminated from the nomenclature of the "Sputnik" BMMT by the Komsomol Central Committee.

[Correspondent] What, for example, is the program of Soviet-American tourist exchange for this year?

[Koidze] In the course of Soviet-American dialogues of recent years, agreements have been reached about expanding youth exchange programs, including also on the basis of tourism.

One such project was realized during the joint trip by 100 Soviet, American, and Finnish school children to Finland, the USA, and the USSR to meet with the heads of these states. This trip showed a new form of youth contact, which harmonically combined political and social directionality along with elements of the tourist program.

The exchange program "For Mutual Understanding" may also be related to such projects. On the American side it is being implemented by the social organization "People to People". In 1988 within the framework of this program, the USSR received about 2,200 school children from 42 states throughout the USA.

In 1989, from 7 June to 7 August, there will be a bus "Caravan of Friendship" staged by American youth.

This bus caravan will be comprised of 1,800 Americans who will visit a number of cities in the USSR. Within the framework of the program of youth science exchange, 500 American school children and students will come to the USSR.

On the whole, the "Sputnik" bureau, along with the American organizations, are implementing an exchange program within the framework of 32 projects. Among these is the "Harmony" project, which provides for the implementation of Soviet-American music festivals in the USSR and USA, joint rafting trips along the Ob, Katun, and Mississippi Rivers, and a program called "Sport" and "Deti mira" [Children of the World].

From the 8th through the 14th of July there will be a peace march in Moscow, Novgorod, and Leningrad ("Peace Quest-89") staged by American, Swedish and Soviet youth and students. A continuation of the March, of course with the participation of Soviet school children in the summer of this year, will take place in the cities of Sweden and the USA.

Two international camps for Soviet-American youth will be held in August and September in third countries—Ireland and Costa Rica.

[Correspondent] How many people will participate altogether in the exchanges this year?

[Koidze] Altogether, around 15,000 young men and women from both countries will take part in the Soviet-American exchanges as tourists. Naturally, however, there are many more who would like to.

[Correspondent] What is it that hinders the growth of youth tourism?

[Koidze] First of all, the very high cost of receiving Soviet tourists in the USA. While a Soviet tourist's stay in the USA costs 80 rubles a day, the stay of an American in the USSR is much less.

Secondly, the transport expenditures are very high in the USA.

Thirdly, there are great difficulties in getting tourist visas. For example, the U.S. consulate issues us visas practically on the eve of our trip, a day before the Soviet groups are to leave. Such a situation hinders work and increases psychological stresses both on the organizers and on the tourists. Although there have been practically no complaints about the quality of the reception in the USA.

I must note here that the formal times for filing documents for visas are maintained by "Sputnik".

[Correspondent] What about non-currency exchange?

The partner organizations in the USA are not very willing to agree to non-currency exchange. In 1985-1986, government subsidies for youth exchange with the USSR were cut back in the FRG, rescinded in the USA and

Great Britain, and are practically absent in France and Japan. At the same time, cooperation on a non-currency basis accounts for 70 percent of the volume of tourist exchange with the socialist countries.

[Correspondent] What is the social make-up of the tourist groups visiting our country?

[Koidze] There are various categories of youth comprising the foreign tourist groups: 61 percent are students and school children, 26 percent are employees and functionaries, 4 percent are persons engaged in the sphere of culture, and 9 percent are workers, businessmen, clergy, young scientists, and others.

[Correspondent] The readers are more interested in the make-up of our delegations.

[Koidze] The quota which existed previously (the group must be comprised of over 50 percent workers and farm workers) has been rescinded, and as of 1987 we no longer collect any statistical data on this question. The rayon Komsomol organizations decide whom to send. Although, I agree with you, it is necessary to have such data and to periodically publish them.

[Correspondent] Other countries have positive experience in placing tourists with host families. Why is this method weakly utilized in our country?

[Koidze] We support and propagandize this form, but encounter the clear resistance of certain organizations. For example, "Sputnik" has a cooperative which helps to place tourists within the country. It has around 300 residences. However, they do not allow us to place foreigners there.

[Correspondent] If a person suddenly gets sick during his trip, who pays for the medical treatment expenses?

[Koidze] These instances are stipulated in the agreements with the partners. All the expenditures, as a rule, are paid by "Sputnik".

[Correspondent] A tourist has committed a crime in a country which he is visiting, and ends up at the police station. Who determines his subsequent fate?

[Koidze] Before, prior to taking a trip we had instruction on "what one can and cannot do on the territory of the country where one is staying". Today minor infractions are reviewed and resolved within the group, while major ones (of a criminal nature) fall under the jurisdiction of the state on whose territory the group is located.

[Correspondent] What difficulties do foreign tourists encounter in our country?

[Koidze] "Low key" service. Americans note the cordiality and friendliness of the Soviet people, but at the same time they complain about the rudeness and low level of service by personnel, poor food services, and the obtrusiveness of "peddlers" and prostitutes.

[Correspondent] And finally, where can a young person resolve the question of his trip, and what does he need for this?

[Koidze] The question of the travel pass may be resolved in the Komsomol raykom. All that is required for this (provided he has a travel pass) is merely an application (1 page) for those travelling to socialist as well as capitalist countries. The previously mandatory references are no longer required, as well as the approval of those travelling abroad by the raykom buro.

**Selected Articles from AZIYA I AFRIKA  
SEGODNYA No 2, Feb 89**

**Table of Contents and English Article Summaries,  
AZIYA I AFRIKA SEGODNYA No 2, Feb 89**

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**English Article Summaries**

The article by journalist V. Touradjev, "Inertia of the Past and the New Realities" opens the February issue. The author reminds us that Plutarch, the philosopher who lived in ancient Greece, once said, "There is no animal wilder than man." One has to admit, no matter how regrettable it is, that two antagonisms, the good and the evil, live in man side by side. In fact, the history of humanity consists of the struggle between them. The author reminds us that the preceding thirty five centuries were a long continuity of cruel clashes, forays and wars. From every fifteen years running only one, on the average, has been peaceful, a year when people did not torture or kill each other. However, in the nuclear missile age the use of force is fraught with the danger of a total suicide, and for this reason we shall absolutely have to learn to live side by side in peace. The inertia of the past should not hinder humanity from progressing toward new horizons.

This idea, as well as a new vision of the world and international relations, keynotes the speech made by Mikhail Gorbachev in the UN, the author says. He points to the tremendous importance of the new initiatives advanced in the speech delivered by the Soviet leader in the UN.

Political analyst Y. Lugovskoy in his essay "Krasnoyarsk Initiatives and APR Security" expounds the aspects of the new political thinking as applied to the Asian Pacific region. The new political initiatives, put forth in Gorbachev's Krasnoyarsk speech and during his visit to India, are pinned up by the values considered by humanity as priority ones, among which a lasting peace is placed above all others. Today the Asian nations clearly understand that the shortest and most reliable path toward peace lies through the missile-and-nuclear disarmament, development of trade, expansion of mutually beneficial cooperation. The less armaments there are in the world, the more lasting peace awaits us. The recognition of this truth will create fertile soil in the Asian Pacific region for the acceptance of the new Soviet initiatives. All the more so because the Soviet Union does not claim to be the ruler of the destinies of other



nations. The essence of the Soviet initiatives boil down to the invitation of all the APR states, naturally including the US, to a joint search for a peace formula acceptable for all. Many countries have approved this approach.

Candidate of Economic Sciences S. Shatalov analyses the economic situation in Africa. The situation in the countries of the continent is really acute as Africa's external debt totals 230 billion dollars today. The instalments paid to clear off the debt consume over one-third of Africa's export revenues. The prognosis for the future is morbid: the problem is sure to continue into the 21st century. Just as many other experts, the author tries to answer the question about the importance of foreign and domestic factors giving rise to crises, and the way to alleviate them. He thinks that restructuring of the international economic relations, based on mutually advantageous cooperation, could bring about strong security for Africa and other developing regions of the world.

This, among other things, is envisaged by the concept of international economic security, put forward by the Soviet Union. It lays a solid foundation for all the states—for creditors and debtors, capitalist and socialist—to be able to work out collective measures to overcome the economic crisis in Africa.

"The Time of Cataclysms and Changes" is the title of the article written by the Soviet scholars O. Baryshnikova and Y. Levtonova, dealing with the latest decade in the Philippines' history. They analyse the collapse of the "new society" (1972-1986) which was another version of an Eastern authoritarian regime. The authors consider in detail the February 1986 Revolution when a parliamentary system was restored in the country and also scrupulously follow the career of Corazon Aquino who has been steering the country toward bourgeois modernization. They describe the situation in the Philippines as a "stable instability" which can be explained by the burden of foreign debts, acute social problems, and a hard political struggle. The authors think that in this situation a new crisis is very likely to set in.

In November 1988 New Delhi saw the Seventh Congress of the Afro-Asian Peoples Solidarity Organisation (AAPSO). The capital of India hosted the envoys of 85 countries. The article by G. Drambyants, "A Significant Landmark" tells the reader about the organisation which fulfills its noble mission by invariably implementing the ideals of freedom and independence for the peoples.

The article "Democratic Korea Today" by Felix Burtashov is a narrative about the country by the journalist who has just visited it. In a free and easy manner he gives an account of his new acquaintances and impressions.

The issue carries a review of Mikhail Gorbachev's book "For Peace in Korea" [as published] published in the Korean language. This collection of speeches by the General Secretary of the CC CPSU, Chairman of the Presidium of the USSR Supreme Soviet is published in

Seoul in English and Korean simultaneously. Na Chkhan Chou, Director of the Research Institute of the Korea's Northern Policies, in his foreword to the book expresses a hope that it will contribute to the creation of an atmosphere of better bilateral relations between the USSR and Korea.

Candidate of History N. Yermoshkin in his essay "For a New Order in Information" contends that it is necessary to do away with the sway of imperialist monopolistic propaganda, to promote peace and friendship among the peoples, to improve the climate of trust in order to overcome colonialism, racism and apartheid.

The PROBLEMS AND OPINIONS column present the second article of Doctor of History V. Khoros, "On the Mechanism of Nationalistic Mentality," in which he dwells on the emergence of nationalistic trends in the developing countries and the peculiarities of nationalism.

Ts. Gombosuren, Foreign Minister of the Mongolian People's Republic, answering the questions from our correspondent, stressed that an all-round enhancement of bilateral relations, primarily in economics, is an important task facing both the USSR and Mongolia. The minister also emphasized the security in the Asian Pacific region and the role which socialist countries could play for improving the situation.

The issue presents the material by George Ginsburgs, a researcher at the law faculty at Rutgers University, USA, entitled "American Capital in China." He gives his opinion on the participation, by the US companies, in the joint ventures set up in the People's Republic of China. He dwells in detail on the aims and objectives of the partners, inevitable differences, disappointments and hardships. To score successes in this "Chinese economic wilderness," one has to have lots of patience and sympathy for other people, he concludes.

I. Esuabana, Press Attache of the Embassy of the Federal Republic of Nigeria in the USSR, visited our editorial office and expressed a wish to tell the readers about the present-day socio-economic level of his country. We have willingly given a few pages to his material.

"The Past Living in the Present" are the travel notes about Nepal by the journalists I. Redko and L. Khlebnikov. Nepal which is also referred to as a Mecca for tourists in the Himalayas is faced with many economic, ecological and social problems. Masses of people in it are deprived of social benefits. The small mountainous country is looking for ways out of the impasse.

"What is the Japanese Youth Like?" This is how the young researcher M. Kirillova entitled her article. In a fascinating manner she describes the young Japanese she met, the results of the painstaking work she did to learn the political stance of the young people. The author stresses that opinion polls clearly demonstrate such traits of the young people as individualism, thirst for entertainments, and political indifference. The ruling circles



of Japan are concerned about these sentiments of the youth, because of which Japan might lose one of the main factors of its economic might, namely a rigid self-discipline and culture of labour.

Sheikha Hessa as-Sabah, a niece of Jaber as-Sabah, Emir of Kuwait, visited the Soviet Union. For many years she has been collecting and studying Islamic art. Sheikha Hessa presented gratis her collection of unique pieces of Moslem culture to her native country, thus making it a part and parcel of the Kuwait National Museum. In the Soviet Union Sheikha Hessa has seen the outstanding memorials of Islamic art, the ancient manuscripts of the library in the Institute of Oriental Studies of the Uzbek SSR's Academy of Sciences and visited the studios of well-known Uzbek artists and miniature painters. Our author V. Klyuchnikov writes about all this in his article "USSR-Kuwait: Mutual Enrichment of Cultures."

The journal continues publishing the novel "The Wilby Conspiracy" by Peter Driscoll. The "Life of Ramakrishna" by Romain Rolland is undoubtedly of interest for the reader, too.

The TRADITIONS AND MORES column concludes the essay by D. Yeremeyev, "The Woman and Islam," the first instalment of which was carried by AZIYA I AFRIKA SEGODNYA No 1. The author gives a detailed account of Eastern women's life within four walls and their isolation from "strange" men. Islam's rules demand that women be covered from head to foot by a *paranja* and pray in their own part of the mosque, separated by a partition from the rest of it. Family homes are also, as a rule, divided into men's and women's parts.

This time the journal presents OUR BOOK SHELF column instead of the usual BOOK REVIEWS, which is no less interesting.

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### **Economic Growth, Security Issues in Asia-Pacific Region**

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 2, Feb 89 pp 5-8

[Article by Yu. Lugovskoy: "The Krasnoyarsk Initiatives and the Security of the Asian-Pacific Region"]

[Text] *When the Spanish conquistador Balboa, having crossed the whole Panamanian isthmus with his detachment from the Caribbean coast, entered the waters of the Pacific Ocean with sword in hand, as ritual demanded, and proclaimed that he "takes possession of this sea, its shores and islands in the name of the monarch of Castile" on 30 Sep 1513, he could not even conceive that he was not the first European to see the greatest ocean of the planet. A year earlier the Portuguese Captain d'Abreu, sailing toward the islands of Indonesia, had been pushed far to*

*the east by a storm and thereby became the discoverer of the Pacific Ocean for the inhabitants of the Old World.*

*The places on the globe where fate carried Balboa and d'Abreu are separated by 16,500 kilometers of open water with rare "oases" of archipelagos scattered in it. And bold expeditions were required so that mankind could correlate these discoveries and become cognizant of all their scope, striking to the imagination, and link America with Asia, Asia with Europe and Europe with America by maritime routes.*

In our day it is the business world and state figures rather than geographers who are casting interested looks at the Asian-Pacific region, determining its political weight, forecasting its development and asserting, with no small degree of surprise, that its role in world affairs will be practically the leading one by the beginning of the 21st century. And all-knowing statistics are hastening to confirm this nascent conception. As a matter of fact, by way of example, the volume of freight shipments across the Pacific Ocean has now long surpassed the analogous indicators for the Atlantic.

What processes of economic life are reflected by this boom on ocean routes that seizes the imagination? Extremely material ones! The legends that Mendana, Kiros and other explorers crossed the Pacific in their caravelles in search of the legendary gold mines of King Solomon, related in the Bible, were regarded as a historical curiosity not so long ago. But mankind, it seems, has already ceased to be surprised that the myths are coming true. The allegorical image of riches reflected in them is revealed today in the form of the enormous resources of minerals and raw materials.

Two thirds of world petroleum and tin reserves, from 20 to 25 percent of manganese, nickel and bauxites and 90 percent of natural rubber, tea and jute production are concentrated in the Asian-Pacific region. And the Bible was not exaggerating regarding gold. The large "outcroppings" of epithermal gold that were recently discovered in Southeast Asia have engendered a genuine "gold rush" in the Philippines, Indonesia and Papua-New Guinea. And all of this is combined with great energy potential and considerable resources of cheap manpower that seek their application on a continent with a population of three million people.

Need we be surprised that the highest profit levels for invested capital have been recorded in Asia? A rate of increase in foreign investments that exceeds other regions, the total volume of which has surpassed 70 billion dollars, has been recorded here. The Asian-Pacific region also noticeably outstrips other regions of the world in growth in the volume of industrial production, especially modern types of production. This development, of course, is proceeding in extremely irregular fashion. Japan and India are alone among the ten industrial giants of the world to surpass even the United States in this rate. And Burma or the Philippines, cultivating rice with their debts of 30 billion dollars, are quite

something else. But however striking the contrasts engendered by the capitalist division of labor, the overall trend gives an image of a rapidly developing region.

A new center of the world economy is taking shape in the Asian-Pacific region. We can believe some futurologists who predict that by the beginning of the 21st century, the Pacific and Indian ocean regions will occupy a leading position in the world economy, relegating the Atlantic zone to the background. But it is not a matter of economics alone. The problems of competitive economic conditions will, as always, be closely interwoven with political circumstances, and they in turn are interconnected with military spending and considerations of the strategic balance of forces on a world scale.

One thing is obvious: the trend toward economic ascent in the Asian-Pacific region will be confirmed only in the event that favorable political preconditions for ensuring the equal rights and sovereignty of all countries under conditions of a stable peace are created in the whole extensive region.

#### A New Hierarchy of Values

The objective requirements cited above are carefully regarded and weighed by the Soviet Union in devising its own foreign policy. The new initiatives on this score that were set forth in the speech of M.S. Gorbachev in Krasnoyarsk and during his November visit to India reflect a broad view of the new political thinking in the Asian-Pacific region. Our country proceeds from the fact that the philosophy and morals of the new world order are universal, applicable in Asia and on all continents as well as Europe. The primacy of general human values, in which the interests of peace and averting war predominate over all others, are at the foundation of the Soviet approach.

There have been many pretentious attempts over the span of many years of modern history to prove that peace in Asia can be ensured on the basis of some balance of forces or even a superiority in strength of one side. Such statements lie at the foundation of the recent promulgation of the "doctrine of restraint" that the Americans have developed for Asia. But few trust such doctrines in Asia today. Their repudiation was facilitated to no small extent by the negotiations and agreements concluded with the participation of the United States, and especially the INF Treaty, which affects Asia as well.

A clear understanding of the fact that the surest path to peace lies through nuclear-missile disarmament, the development of trade and an expansion of mutually advantageous collaboration is being observed on that continent today. The fewer the weapons, the greater the security. An awareness of this conclusion is creating fertile ground in the Asian-Pacific region for the acceptance of the new Soviet proposals, the more so as the Soviet Union has no claims to the role of ruler of the fates of other countries. The essence of its initiatives is reduced to inviting all the states of the Asian-Pacific

region, naturally including the United States, to join in a joint search for formulas for peace that suit all. This approach impresses everyone.

But one also cannot fail to mention something else. It seems that the inner logic of events in the Asian-Pacific region that has given rise to the demands for reliable security are considerably more complex than, by way of example, that which lies at the foundation of the search for principles of European-wide agreements. A majority of observers, representing a most broad spectrum of political outlooks, concur that the devising of a system of security acceptable to all is associated with greater difficulties than in Europe. It is not only a matter that the experience of European-wide settlements is not applicable to Asia without material corrections. In Europe it was possible, say, to convene a conference in Helsinki at one time. As for Asia, the prospects for organizing a similar forum, even with the presence of the greatest possible stores of enthusiasm, still cannot be discerned.

That is why intuition accumulated through long experience and great receptiveness to the specific features that are engendered by the complex interweaving of contradictions are required in an approach to the common problems of the Asian-Pacific region. Take just the fact that the struggle for peace in Asia has always been intertwined in the closest possible fashion with the national-liberation movement. There is no need to remind you of how many times the peoples of the colonies have been forced to resort to revolutionary violence so as to achieve independence or to defend the freedom they had won from attempts on the part of imperialism.

While the bourgeois leadership of the countries of Western Europe recognize the American military protectorate within the framework of NATO, in Asia, with rare exceptions, it is not accepted. But how can it be, if the American military presence in the Asian-Pacific region is a real fact? It cannot be removed without the participation of the United States itself.

Or take another aspect. American political scientists have tried more than once to view regional conflicts through the prism of Soviet-American relations. This point of view probably suits them. After all, with that approach any changes that do not suit Washington are arbitrarily ascribed to the "hand of Moscow." But what about the sovereignty of other peoples and their right to their own historical social choices? What about the notion that the political spectrum of Asia is infinitely varied, that many political centers have now taken shape there? It is clear that a lasting peace is possible under these conditions only with a regard for the balance of interests of all parties. It is not for nothing that they say that peace is nothing more than respect for the rights of all peoples. To plant rows according to one's own opinions and desires under these circumstances is not only egotistical, but dangerous as well.

It is namely the actions of certain circles in the United States that have appreciably complicated the situation in the Asian-Pacific region. But notwithstanding that fact, and perhaps even therefore, their participation is essential for the settlement of many Asian-wide problems, although the United States is a difficult negotiating partner for the countries of Asia. They know this in Moscow, at least, because the Soviet Union has for a long time conducted patient negotiations with the United States on the most important of issues.

#### Searches for Contacts

Observers have in this connection directed attention to the fact that the seven well-known clauses set forth in the speech of M.S. Gorbachev in Krasnoyarsk are directed immediately toward Washington to this or that extent. They are of a businesslike and concrete—as much as is possible at this stage—nature. Take for instance the fourth clause, in which the readiness of the Soviet Navy to reject Cam Ranh Bay in the event that the United States eliminates its military bases in the Philippines is mentioned directly. This is a very interesting proposal.

We will begin with the fact that Soviet and American admirals have been conducting a dispute in the pages of the press for a long time on the nature of the berths for our ships in Cam Ranh Bay, wherein the Americans have tried to exaggerate as much as possible the dimensions of that port and to instill in Indonesia and the other members of ASEAN the idea of a threat emanating from the southern part of Vietnam. It is especially interesting in light of such versions to trace how the United States has reacted to the new Soviet proposals. Answers that are couched in evasive or even negative tones are all that are heard from their side thus far.

The representatives of the State Department and the Pentagon have asserted from the beginning that the Soviet proposal relative to Cam Ranh Bay was timed to coincide with the American-Philippine negotiations on the lease terms for the Subic Bay and Clark Field bases so as to make them more difficult. But even after the terms of the lease were agreed upon—at least until September of 1991—the American representatives have preferred to try to get out of answering, now referring to the fact that the Soviet Union is supposedly offering an “unequal deal.”

What has happened? They have made a sort of scarecrow out of Cam Ranh Bay, and now it turns out, you see, that this anchorage is in no way comparable to the Pentagon bases in the Philippines. But we will not argue, the more so as Clark Field and Subic Bay are well known as the largest American strategic bases outside of U.S. borders. It is enough to say that the petroleum-storage capacity at the aforementioned Subic Bay is 400,000 tons, along with 50,000 tons for ordnance, which makes it possible to satisfy two thirds of the requirements of the ships and aircraft of the U.S. Seventh Fleet. Up to 35 combat vessels, including aircraft carriers, can dock at that base simultaneously.

It seems, however, that the question of such “small change” cannot be resolved from the viewpoint of military equivalence alone. It must be approached first and foremost from political angles, remembering the common interest of preserving peace on the planet. Proceeding from this, public opinion in the Philippines is more and more inclined to conclude that the American bases are needed not for the defense of the country, but rather for the far-reaching strategic plans of the Pentagon.

Time will tell whether the United States position regarding its bases in the Philippines will be altered. It must be noted, however, that the future of these bases depends on more than the Americans themselves. After all, after the adoption of a constitution in the Philippines that contains anti-nuclear articles, the movement to eliminate the bases is gaining in sweep. And it is not ruled out that after September of 1991, when the treaty on the bases expires, the Pentagon will have to evacuate them or else simply eliminate them. In any case, Philippine President Corazon Aquino has expressed support that the Soviet Union and the United States discuss the Soviet proposals in detail that concern the readiness of our country to reject the naval material and technical supply point at Cam Ranh Bay if the United States dismantles its bases in the Philippines.

And just how do matters stand overall with the acceptance of the Krasnoyarsk initiatives of Moscow by the Americans? The impression is being created that these proposals were disarming to the Americans in both the direct and the indirect senses of the word and made them somewhat confused. It was not for nothing that the experienced Hong Kong journal FAR EASTERN ECONOMIC REVIEW noted “the uncertain reaction of Washington to the Asian initiatives of Gorbachev.” “Perhaps it would be easier for Washington,” remarked the journal, not without concealed sarcasm, “to deal with open threats and shows of force than with peaceful proposals from its old rival Moscow.”

About that so-called “rivalry,” by the way, American political scientists have long had that term in circulation. They have as yet, however, been unable to elaborate with sufficient convincingness what the essence of that rivalry is apropos of Asia. The Soviet Union is not creating military bases in the Asian-Pacific region. Its relations with the countries of Asia are not only maximally correct by all standards of international law, but those relations, in the opinion of commentators in the Asian press, also serve as a good model for the practical application of the principles of peaceful co-existence filled with mutual understanding and friendliness. And not just with India, our tried and true partner in collaboration, but with all the countries of ASEAN as well.

We are setting up normal relations with China and are seeking a turn for the better in our ties with Japan. The readiness of the Soviet Union for collaboration is meeting with understanding on the part of Iran and Pakistan. And it is important to add to this that we are



not at all striving for this mutual understanding at the expense of worsening the relations of our Asian partners with the United States.

So then, notwithstanding all of the difficulties, we have every reason to count on dialogue with the Americans in Asia as well. Matters are moving forward with difficulty, however. What is the snag? The distinctive conspiracy of skeptical silence was recently broken by Henry Kissinger. In an interview with YOMIURI, he acknowledged that a desire to extend the arms-control process to Asia lies at the foundation of "the policy imperatives of the Soviets." What's holding things up? It is not a matter of the Americans moving to meet the Soviets, in Kissinger's words, but that the Asians do so. "The Asians," as Kissinger expressed it, "are on the brink of intellectual development in the realm of international affairs, that is in the state Europe was in in the 19th century." That being the case, the American political scientist unexpectedly sums up, "the fact that Gorbachev dresses well and smiles often does not make an impression on the inhabitants of Asian countries. The Soviet Union will thus not be able to achieve its aims in Asia through outward impressions alone," and concrete steps, he says, are needed.

What can be said on this score? The Americans have the opportunity of carefully weighing the Soviet proposals that envisage the rejection of additional deployments of nuclear weapons in the Asian-Pacific region, no augmentations of naval squadrons, a reduction in military confrontation in the Far East, the aversion of incidents on the high seas and the declaration of the Indian Ocean a peace zone. There is no reason to evade a reply to these proposals.

We will address another issue. Is political thinking in Asia really insufficiently formed and matured? It seems that there is experience as well, there is a distinct notion of the increased proportionate share of this continent in world affairs and the responsibility for the common fate of mankind. Otherwise there would not have been Bandung, there would not be the principles of Pancasila, the initiatives of the "Delhi Six" in the realm of nuclear disarmament and much more. Yes, the baggage of experience is weighty. There is also a feeling for the long term, a philosophical insight to the future, without which political activity loses its sense. Without it there would have been no Delhi Declaration on the principles of a non-violent world free of nuclear weapons. It exists and is in effect, giving impetus to many positive processes and having a great effect on the formation of thinking of a new sort on our whole planet.

It would seem that this factual account is sufficient to receive the sought-for answer. But it has far from been exhausted. It seems appropriate to juxtapose the approaches of the countries of the Asian-Pacific region and the United States toward some issues on which the fate of the world depends. We will refer to one example. The small island states whimsically scattered across the expanse of the South Pacific have devised the Rarotonga

Treaty, according to which the southern part of the Pacific has been declared a nuclear-free zone. They have appealed to the great powers to respect that status for the region. Of those powers, only the Soviet Union and China have expressed a readiness to do so. But the United States has refused. Isn't that because some figures that formulate the foreign policy of Washington pay an unjustifiably generous tribute to the concepts of the past, sacrificing the interests of the future to them?

### New Shoots

One naturally also cannot fail to see that the new thinking that has made the political experience of Asia more fruitful is already having new shoots. The signing of the Geneva agreements on Afghanistan were a striking example of how it is possible to cut the "Gordian knots" of regional conflicts if the agreements achieved are honestly observed. The dialogue of the countries of Indochina and ASEAN that is called upon to assist national reconciliation in Kampuchea is developing further. The adoption of UN Security Council Resolution 598 by Iran and Iraq has made it possible to extinguish the fires of that eight-year war.

All of these events show that Asia is not only taking up the experience of other continents in the cause of the practical assimilation of the new thinking, but is itself largely enriching it. International political life on the continent has taken on a dynamism that can have a largely favorable effect on the international climate overall.

The trend toward a joining of efforts in the name of solving common problems is also noticeable against this overall background. Integrative processes have led to the formation of such regional organizations as ASEAN, the South Pacific Forum and the Association for Regional Cooperation of the Countries of South Asia that have made it their mission to develop trade and economic collaboration. And not only that. Understarling that the time for self-sufficient structures is behind us, the Asian countries are striving together for the development of relations with the West that are free of manifestations of discrimination on the part of big business and, first and foremost, include the elimination of protectionist tariffs and quotas on the path of the finished products of the developing countries. It may be entirely supposed that such organizations will, to the extent of their emergence, engender some sort of mechanism for general regional collaboration in the realms of both economics and politics.

As a matter of fact, business ties in the countries of the Asian-Pacific region are already being developed in a way that makes it possible to engage in the implementation of major projects that are equally important to many countries. Say, in the opinion of scholars, the realization of hydro projects is possible in the not-too-distant future on such great Asian rivers as the

Ganges, Brahmaputra, Indus and Mekong. The development of maritime trade and the construction of a trans-Asian highway from Turkey to Singapore, some sections of which are already in operation, would have great significance. The further expansion of metallurgical and machine-building enterprises that owe their birth to Soviet-Indian collaboration could meet orders for various products from many other countries of Asia.

We have long-term agreements on collaboration with twenty Asian countries to which credit of over six billion rubles has been granted. Today many multinational corporations that have affiliates in Asia can arrange business ties with the Soviet Union. The arrangement of trilateral economic collaboration among the Soviet Union, China and Japan, including in "joint entrepreneurial zones" in Siberia, is also possible.

This development of international cooperation clearly presupposes the creation of banks that issue loans at low interest rates for creating production capital, improving trade ties and creating planning institutes, engineering services and scientific organizations with common participation for fighting natural disasters and protecting the environment.

All of these problems, plus the already enumerated political ones, could be a substantive agenda for a broad international meeting. The ministers of foreign affairs of all interested nations, for instance, could meet for negotiations. Such a meeting would be useful for devising approaches to the construction of new relations in the Asian-Pacific region.

The new peace initiatives that were put forth at the UN by CPSU Central Committee General Secretary and USSR Supreme Soviet Presidium Chairman M.S. Gorbachev have great significance for improving the situation in the Asian-Pacific region. The Soviet Union has taken on in particular the obligation to reduce markedly the numbers of its armed forces in the Asian part of the country over the next two years. A considerable portion of the Soviet troops temporarily located in Mongolia will return to the Motherland by agreement with that government.

As for the problems associated with Afghanistan, M.S. Gorbachev has proposed, among a number of other measures, sending a broad-based contingent of UN forces to Kabul and other strategic centers of the country to maintain peace as well as to cut off deliveries of weapons to all the opposing parties during the period of emergence of the Afghan government. These proposals are supplemented and developed by the initiatives advanced by Kabul for national reconciliation, including the proposal to hold an international conference on the neutrality and demilitarization of Afghanistan.

The look of Asia, whatever it may be in the near future, is naturally not yet subject to consideration in all of its features as yet. But the only way to foresee the future is to gain the opportunity of affecting it. And it must be done today.

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### Strategies for Solving African Debt Crisis

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[Article by S. Shatalov: "Africa—The Debt Crisis and Development Strategy"]

[Text] The economic situation in Africa is exceedingly complex. The deep-set "diseases" and structural imbalance of their economies are becoming more and more clear to the extent that they overcome the consequences of the severe drought of 1983-84. In 1986-88, continuing a sequence of disappointing years, the growth rate of the aggregate GNP of the continent was just 1.5 percent, that is, income per capita for the population declined. Exports, which were unprecedentedly reduced in 1986 (by more than a fourth, from 64 to 46 billion dollars) increased practically not at all. The threat of hunger hung over some states once more.

The gigantic foreign debt of Africa, which has now reached 230 billion dollars and is equivalent to 60-70 percent of the total GNP of the region, is a concentrated expression of the crisis. Payments to service the indebtedness swallow up over a third of the export receipts of the African countries. The forecasts are not reassuring: in the opinion of World Bank experts, this problem will persist into the 21st century.

A multitude of researchers are posing the question of the comparative significance of the global (external) and internal factors that have brought about the crisis. Whereas Western specialists are inclined to emphasize the primary role of the errors of the young states, African authors are frequently limited to showing the destructive influence of external upheavals on the economy of their countries, veiling their own mistakes. As recently as the beginning of the 1980s, say, approaches that were not impartial were reflected in two program documents, the so-called "Berg Report" prepared by American economist E. Berg at the request of the World Bank, and the Lagos Action Plan adopted by the OAU Assembly. The arguments of adherents of both points of view do not take. But after all, neither accusations directed toward the Africans, who have made insufficiently efficient use of their meager funds, nor attempts to depict Africa as the helpless toy of global economic events can in and of themselves indicate the way out of the crisis.

Africa really is a weak and dependent link in the world capitalist economic system, which thrusts an exceedingly strict framework on the countries of the continent into which they must "build in" their development strategies.<sup>1</sup> One of the clearest examples of this is the forced low level of their imports. They are, as a consequence of various types of stabilization measures, 25-30 percent lower than the minimal requirements of Africa in the procurement of goods on the foreign market. We



find the evaluation of this situation—often encountered in the official documents of the World Bank—as an indicator of success in the fight for the thrifty utilization of modest currency reserves to be unfounded. The super-limitation of imports, on the contrary, smothers the economic activeness of the young states and impedes both the normal functioning of existing production capacity (insofar as the chronic shortages of imported spare parts, semi-manufactures and raw materials are evident) and the creation of new capacity.

Econometric calculations make it possible to judge the force of the effects of global processes on Africa. The eminent Canadian researcher G. Hellayner in particular has undertaken an attempt to measure directly the losses of African countries from price fluctuations for the raw materials they export. He concluded that the reduction of these fluctuations by half in 1960-80 would have provided the region with an additional two percent annual GNP growth. We obtained similar results in modeling the debt situation in Africa. The most material factor in the ability of the countries of the continent to pay proved to be the dynamics of trade conditions, a sharp worsening of which served as a catalyst for the crisis.

But the possibilities for progress in the national economies are also being undermined from within. Mistakes have been made in the strategy of import substitutions that have led to deformations in investment patterns. No small share of them has been "dissolved" in politically prestigious construction projects in the state sector (at one time this skewing was also advantageous for the Western agencies for development assistance). The traditional sector, first and foremost in the agrarian sphere, was consigned to oblivion. The small-scale farm economies often had no access to credit, and the requisite attention was not devoted to maintaining reasonable procurement prices for their output and the creation of an infrastructure in rural regions. An ever greater portion of currency resources was spent to import foodstuffs (increasing by seven times from 1970 through 1985) under the pressure of the needs of the urban low-income population to the detriment of productive accumulation. Non-productive state consumption "ballooned" in both the military and the civil spheres. The squandering of the "elite" and the accelerating inflation hindered an increase in domestic savings. "Capital flight" from Africa reached quite alarming dimensions: the sums that were removed from there were equivalent, according to various estimates, to a fourth or a third of the foreign debt of the continent.

These disproportions in accumulation and growth became especially palpable in the 1980s, when foreign competitive economic conditions worsened continuously while the influx of resources from abroad was reduced.

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A correct diagnosis is essential (albeit far from sufficient) for treatment of a serious illness. This truth relates to more than medicine alone. In the case we are considering, prescriptions that were known to be doubtful were prescribed on the basis of an incomplete analysis that ignored the interweaving of various causes for the crisis.

The advocates of the market-oriented development strategy that was praised in song in the Berg Report, where the influence of foreign factors on Africa was effectively skirted in silence, call excessive state interference in economic life—in their opinion disrupting the price mechanism and reducing business efficiency—the root of all evils. Whence the arguments in favor of deregulating the economy of the debtor nations and curtailing the economic role of the state.

In raising an undoubtedly very important question, these authors, in my opinion, have an excessively rigid treatment of the category of efficiency as applicable to the multi-institutional, polarized economy of Africa within exceedingly narrow limits. Arising in the course of two thousand years of development of European civilization and affiliated namely with its set of cultural and historical values, it cannot be transferred mechanically to African society. Social structures and a level of productive forces that are qualitatively different than those in the West counter such compulsions and require the adaptation of this concept, imparting a long-term and strategic sense to it.

None other than E. Berg himself began talking about this in the end: in evaluating the results of the structural stabilization of the economy of the continent over the first half of the 1980s, he emphasized that the corresponding programs of the World Bank and the IMF should become longer and deeper. But although the reports of the World Bank on the situation in Africa looked more balanced in 1984-87 than before, the straight-line approach to resolving its difficulties had essentially not changed. The COMPACT program advanced in 1986 by the Council on Problems of Development Abroad and the Council on Foreign Relations of the United States, which envisages, among other things, the re-privatization of the African economy, is typical in this regard. According to the apt remark of the French researcher F.-M. L'Eriteau, the concept of structural stabilization being proposed by the IMF, while deeper than its traditional philosophy, is still based on a Eurocentric model of efficiency and "an understanding of development as something that can be computed."

I am in no way calling for closing our eyes to the multitude of instances of the unsatisfactory functioning of state enterprises, moreover often abusing their monopoly control of the domestic market, that exist in Africa. But the goal (raising efficiency) of this concept is mingled with the means for achieving it (re-privatization is just one of them), which means are taking on absolute significance and replacing the goal itself for Western creditors.

The negative consequences of "deregulation at any price" cannot be forced to wait. Having considered structural stabilization according to the prescriptions of the World Bank and the IMF using the example of Kenya, British economists P. Mosley and T. Killick have concluded independently of each other that their chief flaws are the insufficient duration of the programs and the lack of "social amortizers" in them. The leaders of the IMF are greatly troubled by the fact that the recommendations of the Fund are perceived by the African states as contradicting their own development priorities. "The programs thrust upon Africa, even if they are inwardly solvent, are rarely fulfilled for longer than the carrot (credit) and the stick (the crisis) are in effect," wrote the well-known Africanist R. Green on this score. "Only the Africans have a direct vested interest in their own economic development and are able to ensure it."

The "flexibility shortage" of the stabilization programs is especially obvious on the issue of monetary conditions, the liberalization of which the IMF and the World Bank find desirable, if not obligatory, for the majority of the African countries. Considerable hopes are placed on the so-called internal currency markets or auctions (actually a legalized black market), which are offered as a less risky means of correcting an exaggerated exchange rate of national currencies than the "shock therapy" of the major one-time devaluations that were prescribed to the debtors in the 1970s. But the expectations were not justified. Taking into account the gap in the levels of development between the young states and those Western powers whose monetary units are used in foreign trade operations, hasty liberalization leads only to the steady downward slide of the exchange rates of African currencies, which entails inflation and a decline in the standard of living of the masses. The rudimentary formula—"stimulate exports and constrict imports via devaluation"—is unacceptable in the African countries, since their exports are comprised primarily of goods the demand for which is hardly growing at all. In this case devaluation "constricts" imports (this impact was clearly expressed in the 1980s), but the physical volume of exports does not change, so the exporter just receives less for the products he ships.

Stabilization programs monitored by the IMF or the World Bank have been adopted in 28 African countries over the last three or four years, of which countries two thirds have devalued their currency or liberalized their monetary conditions. And so? As we are already finding out, Africa had an immediate shortfall of some 18 billion dollars of export receipts.

The consequences of liberalizing monetary conditions for the movement of capital are no less ambiguous. Its mass "flight" from Africa has continued. This is not surprising, since interest rates are much higher in Western lending markets. But were the African states to raise their rates to the world level, it would simply worsen investment activity. In this sphere, as in many others, Africa has very little free choice.

The sole realistic solution to the problem of the flight of capital is to devise effective restrictions that would counter the attempts of social groups with access to the currency resources of this or that country to deform the flow of capital proceeding from their own narrow egotistical interests. In the opinion of the advocates of the unconditional liberalization of currency conditions, the more such restrictions there are, the less stable the economic climate, and that, they say, is the chief reason for the flight of capital. But a careless liberalization could engender only chaos under today's conditions. The path to economic stability on the continent lies through the pursuit of a predictable and effective currency and investment policy, and not at all through the removal of all currency barriers. One cannot but agree with the conclusions of an expert in the U.S. Federal Reserve, A. Riffel, who, inveighing for a weakening of currency controls in comparatively mature developing states (India, Brazil), acknowledges the necessity of restrictions on the movement of capital in the poorest countries of Africa.

Similar considerations arise on the score of another unchanged element of the stabilization programs—corrections in domestic prices. There is no disputing that their patterns are distorted in the African countries, and this, it could be, is the most visible symptom of multi-institutionality. Breakdowns in the pricing mechanism together with an inflated exchange rate for national currencies has played a fatal role in the degradation of production of local foodstuffs: imported food products have proved to be unfoundedly cheap, wherein in many countries of the continent this situation has been preserved for decades. But today, experiencing a most acute shortage of currency, Africa does not have other sources for financing the long-overdue rise in agricultural procurement prices aside from a sharp reduction in subsidies for mass consumer goods, which threatens social and political stability. The African countries can get out of this bind only with a considerable prolongation of the stabilization programs and increases in the maximum preferential credit within the framework of them.

According to the testimony of R.J. Bhatia, one of the creators of the African policy of the IMF, over half of the Fund's programs on the continent failed in 1980-83. Somewhat of an easing of the stabilization prescriptions will not keep pace with the increasing economic difficulties of the debtors, and today the share of unsuccessful programs is a little less than at the beginning of the decade. Whence the exceptional importance of reform in the stabilization principles of the IMF and the World Bank, as well as an expansion of the scale of financing accessible to Africa in the course of stabilization. Such is perhaps the sole real method of closing off the flow of capital still moving in the opposite direction—from the most backward region to the industrially developed Western countries.

The current crisis in Africa is a structural and "multi-dimensional" one, and the search for new approaches to resolving it requiring collective and coordinated actions

from all states—both the developed and the developing ones—and the achievement of viable compromises by them is thus topical as never before. The benefits fund for the poorest developing countries has already been tripled—to 11.4 billion dollars—at the initiative of the managing director of the IMF. The capital of the World Bank, which is planning to double the loan volume allocated to the sub-Saharan African states for the implementation of structural stabilization, has been increased to 75 billion dollars. The inclusion of social criteria in the stabilization programs would be a most useful step. The positive shifts in the policies of the "Club of Paris"—a consortium of official Western creditors—should be welcomed, in my opinion, if the preferential principles for debt re-organization they have proclaimed are, of course, of a universal rather than selective nature. An easing of the terms for re-organizing the commercial debt of Africa is also gradually becoming conceivable.

The long-term resolution of the crisis is impossible without the creation of an effective mechanism for stabilizing prices for raw materials. This task is all the more topical as in recent years the "price scissors" on the domestic markets of many African states are finally beginning to work in favor of the local producers of foodstuffs. The problem of the unimpeded access of their industrial goods to Western markets, as well as the restoration of access to commercial capital markets, is no less important for the comparatively developed countries of the continent.

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The longer the debt crisis in Africa drags on, the more difficult it will be to surmount it and the greater the losses will be for Western creditors paying for their own shortsightedness. The debtors are for their part advancing more and more determined demands, which were formed into an integral program in December of 1987 at a specially convened OAU Assembly, which program formulates the overall principles for settling the problem (a 10-year moratorium with the subsequent deferral of the debt for a period of up to 50 years) and concrete proposals (the payment of part of the indebtedness in the national currency, paying it off with deliveries of traditional export goods and the like).

The reaction of the creditors to the OAU plan was a cold one overall. But something else is more important: the initiative of the Africans is pushing the West toward concessions and searches for compromise solutions. This was distinctly manifested at an IMF and World Bank session in the fall of 1987, when the speeches of representatives of leading Western powers were sounding a realistic note. The Treasury Secretary of the United States at the time (and today Secretary of State), J. Baker, for example, proposed the creation of a special mechanism within the framework of the IMF that would neutralize the losses of the developing countries not only from fluctuations in prices for raw materials, but also from the movements of interest rates. British Chancellor of the Exchequer N. Lawson advanced a constructive

plan for solving the debt problems of sub-Saharan Africa, including the broad write-off of debt, reductions of loan costs and extensions of indebtedness payment deadlines along the lines of the "Club of Paris" as well as a number of other preferential elements. Most significant was the announced intention of the managing director of the IMF, M. Kamdessyu, to reconsider the "stabilization philosophy" of the Fund so as to construct it with a regard for the long-term development needs and social priorities of the young states. The IMF has thereby effectively acknowledged the error of the policy it had pursued earlier and has moved to meet the long-held desires of the Third World. If the shifts that have been projected in the debt policy of the industrially developed countries of the West are consolidated, a real chance for developing an all-encompassing solution to the debt problem will appear.

A restructuring of international economic relations on the principles of mutually advantageous collaboration and the democratization of the decisions of the IMF and World Bank would be reliable guarantees for Africa, as well as for other regions of the developing world. This is envisaged in particular by the concept of international economic security advanced by the Soviet Union, which creates a good foundation for devising collective measures by all states—creditors and debtors, capitalist and socialist countries—for surmounting the structural crisis in Africa.

#### Footnotes

1. This undisputed assertion does not signify, however, that the African countries are devoid of any domestic potential for growth. The traditional sector of their economies is able to serve as a source of the corresponding impetus even during periods of acute economic crisis in the West. That is why, in my opinion, it is very important to devise a realistic and effective policy in relation to that sector, especially in relation to the local producers of foodstuffs. Such a policy would "amortize" the blows from without and stimulate economic revival.

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#### Philippines' 'Bourgeois Modernization,' Future Prospects Viewed

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[Article by Doctor of Economic Sciences O. Baryshnikova and Doctor of Historical Sciences Yu. Levtonova: "The Philippines—A Time of Upheavals and Changes"]

[Text] The last decade has proven to be a time of serious upheavals and changes for the Philippines that are especially noticeable against the background of the comparatively peaceful and stable development of its neighbors and partners in the Association of Southeast Asian Nations (ASEAN). The culmination of the tempestuous



events came in February of 1986, when as a result of an acute power struggle the one-man rule of the sixth president of the Philippines, Ferdinand Marcos, came to an end. The new government was headed by Corazon Aquino, and a parliamentary system was restored in the country. The Philippine "New Society" (1972-86)—a version of authoritarian regimes in countries of the Orient developing along the capitalist path—ceased to exist with the departure of F. Marcos from the political arena. The Philippine experience has shown that successes in economic development under centralized, dictatorial methods of managing society do not lead to a long-term, cardinal weakening of social problems and contradictions, and a sharp worsening of the economic situation can elicit a rise in tensions to a critical level.

The implementation of rapid bourgeois modernization in the Philippines began at the end of the 1960s and beginning of the 1970s, much later than in a number of the neighboring Asian states. The bourgeois reforms in the economy at that stage were conducted by the large industrial and banking bourgeoisie relying on the military and technocratic upper echelons, which had come to power for the first time. The authoritarian form of state management, an important condition for eliminating some mechanisms of drag on capitalist transformations in the economy and social development, proved to be effective only within a very limited time frame. As early as the beginning of the 1970s, it was transformed into a hindrance to further bourgeois transformation and the social life of the country. The one-man rule of the president and his "pals" and "cronies" around him, economically closely linked with the bureaucratic apparatus—including the upper reaches of the military—gave rise to the unlimited sway of the monopolistic empires of nouveau-riche businessmen in the economic sphere. A new term appeared in the Philippines—"crony capitalism"—that signified that this group of the bourgeoisie had come to control and direct the economic policy of the state. The interests of the "old," "traditional" monopolies had been diminished therein. A schism between the technocrats, on the one hand, and the groups of "pals" and the upper echelons of the bureaucracy, on the other, was quite clearly revealed within the ruling group at the same time.

By the end of the 1970s it had become obvious that the economic policy of the "new society" had proven to be unable to create a balanced mechanism of economic operation. The rate of acceleration of economic growth was lost and marked disproportions were revealed in the development of individual sectors of the economy. The "industrial leap" forced the state to get further and further into debt—a life of borrowing became the usual phenomenon for the Philippines, and by the time the regime fell in the middle of the 1980s the country was already solidly numbered among the largest borrowers in the Third World: its indebtedness to international creditors totaled about 27 billion dollars.

The economic crisis of the beginning of the 1980s, added to the currency and financial ones, was not slow to have

an effect on social relations. The declared programs for achieving social justice and eliminating poverty remained demagogic slogans. In reality, the situation of the main body of the population had grown worse: the bounds of unemployment and under-employment widened and the decline in living standards accelerated with the expansion of crisis phenomena. The socio-economic crisis could not help but spill over into acute political crisis. In the 1980s it was manifested by a strengthening of the confrontation between the ruling "New Society" regime of the time and the opposition, organized into parties and party blocs of diverse ideological-political orientations from moderate-conservative to ultra-leftist ones. They were supported "from below" by spontaneous demonstrations of Filipinos against authoritarian procedures, corruption at high levels and worsening living conditions.

The role of detonator for a spontaneous explosion of mass protest against the "Marcos dictatorship" in the alarming social climate of those years was the murder, under not fully revealed circumstances, of Benigno (Ninoy) Aquino, a leading light of the bourgeois opposition and long the most powerful rival and adversary of the president, on 21 Aug 83. From that moment on, the political crisis, gaining pace, rolled toward its unleashing in February of 1986.

### The EDSA Revolution

In the Philippines, the events of February 1986 have been given a number of names: the "February," "unique and bloodless" and "lightning" revolution and, perhaps the most widespread and least understood for non-Filipinos, "the EDSA revolution." It derives from the initials of the name of the Manila street named for the famous scholar and educator Epifanio de los Santos, with which the dramatic finale of the fight for power between the aspirants to the president's chair, F. Marcos and C. Aquino, on 22-25 Feb 86 is linked. EDSA is one of the longest main streets in the capital, joining the center of Manila with the surrounding regions where two military camps are located—Krame and Aginaldo. On 22 Feb 86 they were occupied by troops of Generals H. Enrile and F. Ramos, quite recently close comrades-in-arms of Marcos (the former was in the office of minister of defense, while the latter was deputy chief of the general staff), who had now gone over to the side of the opposition. The attempts of Marcos to seize the mutinous camps with the aid of soldiers and police units loyal to him failed thanks to the energetic intervention of the church: along the whole length of EDSA Street, filled with throngs of demonstrators, churchmen came out to meet the soldiers, restraining them from bloodshed. After three days at the Krame camp, C. Aquino was proclaimed the seventh president of the Philippines. That same day Marcos and his family, on the advice—or rather the orders—of Washington, was taken on an American helicopter to the island of Guam (and from there to Hawaii). Such is how events developed in the three-day "February revolution."

But does the word "revolution" with the multivariad epithets appended to it reflect the essence of the events that transpired at that time?

An objective analysis of the facts brings one to the conclusion that the political crisis in the Philippines came down to a high-level coup d'état. As for a mass public movement, strictly speaking it was active (demonstrations, meetings, protest marches and the like) only in the most politicized center of the capital—greater Manila. Beyond its bounds, in the provinces, the overwhelming majority of Filipinos passively watched the development of events. Within the opposition movement, real political potential was possessed by the Democratic Opposition, consisting of a number of parties and coalitions of bourgeois-reformist strains of a centrist bent. It was headed by B. Aquino until his demise. Corazon (Cory) Aquino, the widow of B. Aquino, not formally associated with any party, was rapidly and unexpectedly lifted up to the pinnacle of political leadership from these same circles.

In analyzing the events in the Philippines, one cannot fail to note the fact that three forces played a practically decisive role in the successful organization of the coup that put C. Aquino into power: the church, the army and the U.S. administration. The program of the bourgeois-reformist circles aimed at the peaceful removal of Marcos from power and the return to parliamentary democracy was shared by the most influential and moderate strain in the church opposition, headed by Cardinal J. Sin. It was namely the cardinal's idea to advance C. Aquino as one candidate from among the opposition for the office of president, after which Marcos announced, not without pressure on the part of the United States, the "surprise" presidential elections of 7 Feb 86.

The advancement of a neutral figure far removed from government matters, whatever the political intrigues, ties and obligations, doubtless facilitated the rapid if not solid consolidation of opposition parties and blocs wracked by contradictions among groups and individuals on an anti-Marcos platform. A blow was thereby inflicted to the plans of Marcos, who had wagered on fragmenting the opposition and the impossibility, by his calculations, of their unification in the minimal two months' time that was allotted to prepare for the elections. The church did much for the popularity of Aquino among the voters, advertising to simple Filipinos the impressive image of the grieving widow, mother of four children and victim of dictatorial whim, a fervent Catholic and the "savior of democracy."

It is well known that the elections, which did not bring formal victory to either Marcos or Aquino (neither the one nor the other received a majority and won roughly an equal number of votes, each nonetheless declaring himself and herself the winner), aggravated the climate more and more during the odd two-person rule in the two-week period that followed, culminating in the coup of 22-25 Feb 86.

H. Enrile and F. Ramos explained their sensational move to the side of Aquino exclusively by their concern for "saving democracy." But detailed documentary evidence that merits trust recently appeared in Western literature that the generals who abandoned Marcos intended to establish military rule. The popularity of Aquino, however, and her support among influential churchmen and the negative attitude toward such plans on the part of the United States, which had by that time placed their bet on the "restoration of Philippine democracy," forced them to reject their intentions and ensure the coming to power of the new president.

### The Foreign Factor

Although the events in the Philippines were engendered by the complexities and contradictions of its domestic development, the foreign factor, and specifically the position and policies of the United States, played no small role in them. It should not be forgotten that the United States assigns to the Philippines, in the past an American colony, great significance in its Asian-Pacific policy, because American military bases are still there. The vested interest of the Americans in maintaining stability in the Philippines is dictated by a concern for preserving their own military, strategic and economic interests there. During the crisis period of the 1980s in the Philippines, the United States was able to devise a flexible line of behavior aimed at ensuring a non-losing position with any turn and outcome of the political struggle. While not immediately refusing to support Marcos, they augmented and reinforced their contacts with the anti-Marcos opposition, as a result of which both the president and the opposition (and especially the Aquino group) were courting more and more on American aid, although they traditionally camouflaged their pro-Americanism with loud anti-American rhetoric (taking into account the anti-American and anti-base sentiments of broad segments of Filipinos). In the decisive days of February 1986, these "double-play" tactics allowed Washington to re-orient itself in timely fashion to full support for Aquino, "sacrificing" Marcos.

The high-level nature of the coup caused the preservation of roughly the same social composition of the new ruling elite as there had been under Marcos. It includes representatives of big business, the "traditional" monopolies, the techno-bureaucracy and the generals, as well as refugees from the old, "pre-Marcos" political clans (Aquino and her vice-president, S. Laurel, are linked with them by derivation). The first Aquino cabinet created immediately after the coup, although it had several representatives of leftist-nationalist circles, gave the principal positions to conservative and moderate-liberal figures.

The new government headed by Corazon Aquino came to power at a difficult time for the country: although clear traits of the end of the crisis in the economy had already appeared (the drop in the economic growth rate ended in 1986), the "black hole" of debt continued to swallow up hundreds of millions of dollars a year and



was transformed into the most acute problem facing the authorities. The government has not yet been able to stop the increase in debt. Repeated visits of officials to the United States for the purpose of achieving an easing of payment terms on old loans and obtaining new ones have not altered the situation. Over less than three years, the debt has grown by another four billion dollars, surpassing 30 million dollars by the end of 1988. At the current exchange rate of the peso, the debt is one and a half times the annual national product of the Philippines.

Under these conditions, the program of international aid in the form of a "mini-Marshall Plan" proposed by Washington was met with satisfaction by both Aquino and her advisers. As for the Americans, the initiators and developers of the program—Senators A. Cranston and R. Lugar and Congressman S. Solarz—do not conceal the aims of the United States. Washington links the international economic aid in the sum of 10 billion dollars with the intention to preserve a political regime in the Philippines loyal to the Americans, forced under the weight of debt to extent the agreement on the military bases.

#### **On the Path of Bourgeois Modernization**

The government of C. Aquino has officially rejected the economic strategy of the "New Society." The economic advisors of the president and scholars from the government University of the Philippines have, at the urging of the government, developed a new model of socio-economic development for the country. Familiarity with the "Hundred Days' Program" and the six-year development plan (1987-99) shows that the policies of the new regime differ little from those pursued in the last years that Marcos was in power. It must be kept in mind that the coup of 1986 did not alter the social-class face of the upper ruling circles, and just brought to power other groups of the large bourgeoisie.

Aquino announced at the very beginning of her activity the elimination of the "empire of the new millionaires" and the selling off of their property. But this step is exceedingly reminiscent of the "law of breakup" or the "anti-monopoly act" that the Marcos government began in the 1970s, with just the difference that it concerned the "traditional" monopolies.

The transfer into the hands of the government—or sooner the confiscation—of the companies of the nouveau riche for their sale to private capital became a policy element of the government's departure from business activity and the transfer of government corporations to the private sector. The state reserves for itself corrections in the functioning of the market mechanism. The property of 15 corporations has been sold off so far, bringing 15 billion pesos to government coffers.

The government intends to offer for sale some 108 government corporations and 365 frozen assets at state financial institutions for a sum of five billion dollars over 1987-92. We assume, however, that the process of actual liquidation of state property will proceed more

slowly than the present government would like. A clear-cut and efficient mechanism for implementing the sale has not yet been devised. But the chief impediment on the path of breaking up the state corporations, in our opinion, will be the "quiet" sabotage of these companies by the administrative apparatus that has already begun to manifest itself and the careful and patient position of private owners of the stocks of the liquidated companies. The negative role of the bureaucracy in the implementation of other reforms is no less significant.

After the passage of three years after the February coup of 1986, it is difficult to evaluate the degree of loyalty of the current bureaucratic personnel to the new regime overall. The replacement of officials in the state apparatus touched first and foremost on its highest echelon, possessing real power, and to a lesser extent on the middle echelon, while the composition of the lower echelon remained as before. Today roughly four fifths of the officials of the Marcos regime continue to serve in the new state apparatus. A significant number of his advocates doubtless remains among them. Aside from a shortage of loyalty to the authorities among the official apparatus, the low level of official competence and the dissemination of corruption and bureaucratic red tape in resolving issues of economic activity are a serious obstacle on the path of implementing reforms, especially the land reforms that touch most closely on the interests of many state officials.

The economic crisis of 1983-85 deepened the social contradictions in Philippine society to the extreme and put before the Aquino government the necessity of at least dampening the most acute of them. Almost two thirds of the population, or 5.7 million families, were living below the officially established "poverty level" in the middle of the 1980s. Rough drafts of the six-year plan show that the number of families whose standard of living was below the poverty line will grow at the beginning of the 1990s. Today over 2.5 million people do not have work, while 6.7 million people are not fully employed.

The high level of unemployment and the drop in living standards with the heating up of social tensions and political instability are forcing the government to seek those directions of economic policy that could help ease the social climate somewhat. Stimulating small- (including crafts) and medium-scale types of production that do not require major capital investment and have labor-intensive technologies and a large share of manual labor has become one of the principal measures.

Another problem requiring immediate solution facing the Aquino government at this stage of bourgeois modernization in no less acute fashion than in the 1970s is changing the existing system of landowning. According to law, 557,000 hectares of land for rice and corn are to be rented over the period of the six-year plan, while 600,000 hectares of waste land that was "voluntarily handed over, discarded or confiscated" will be given over to landless people. The next stage proposes the

distribution of state lands. And only after the completion of these measures is the beginning of the compulsory redistribution of private landholdings projected to begin.

The government assumes that its spending on reform will total 50 billion pesos, or roughly 2.5 billion dollars, during the six-year plan. It intends to obtain these funds from the sale of confiscated lands of the "cronies," as well as the sale of state or state-controlled companies. Only time can provide the answer of whether they will be able to gather the needed sum and how efficiently the bureaucracy will spend it.

There is no doubt among anyone in the Philippines how important the most rapid alteration of agrarian relations is for the new regime for the sake of establishing social tranquillity. The prolonged struggle surrounding the law in the parliament, however, along with the sabotage of landowners, the lack of state funds to finance the reforms and, among the peasants, to pay for credit and many other causes of a socio-political and economic nature all testify to the fact that the reform will be implemented with no small difficulty. And this can cause new social disturbances in rural regions, taking into account the fact that three fourths of the families living below the "poverty line" live there along with half of all the unemployed and almost four fifths of those not fully employed.

### The Results of the Three Years

Now we will try to evaluate the results of the three years in power of the Aquino government. The restoration of bourgeois-democratic law and order in the country as fixed in the constitution of 1987 has not led to political stabilization. Since the first steps of the activity of the new administration, practically the main trend in the political life of the Philippines has become strengthening factionalism, contradictions and the internal struggle of the pro-government and opposition forces that exist in the political arena.

The lack of a monolithic nature in Philippine ruling circles is largely explained by the fact that Aquino came to power relying, as has already been mentioned, on a hastily assembled coalition of centrist parties and blocs with a quite broad spectrum of group and personal interests and goals. Having thus fulfilled their common task—driving Marcos from power—these forces have inevitably returned to their former differences and conflicts. The contradictions between Aquino and Vice President Laurel were revealed at once and took on a more and more acute nature. Their was a rapid schism between Aquino and Enrile, who initially held the office of minister of defense. Enrile is one of the richest people in the Philippines (he accumulated a position worth some 23.5 million pesos under Marcos), and was linked through friendship with the powerful industrial and financial group of Ayala-Sobel. He was transformed into a serious political rival of the president. After the split with Enrile, the real support for Aquino within the army is comprised of advocates of Defense Minister F. Ramos, the pro-American generals and middle-level officers. The

opposition military, however, headed by Enrile, has not abandoned the idea of seizing power. Testimony to that are the several attempts at military coups over the course of 1986-88.

The church, in the person of Cardinal J. Sin, a personal friend of the Aquino family, and the majority of the Catholic hierarchy remains a serious support for the ruling regime. But there is no unity within the ranks of the churchmen either. In the face of the moderate conservatism of the upper echelons of the church, leftist radical ideas are widespread among the young holy men, many of whom sympathize with the insurgent movement.

The restoration of bourgeois-democratic procedures in the country is undoubtedly creating favorable conditions for the politization of mass public awareness. The leftist forces, with bold tactics, organization and consolidation, could exert real pressure on the bourgeois government while defending the interests of the workers. But they are organizationally and ideologically alienated. Leftist radical strains are active among them. They include the illegal National Democratic Front (NDF), the Communist Party of the Philippines—Left (formerly the Communist Party of the Ideas of Mao) and its combat arm, the New People's Army (NPA). The radicals hold leftist-nationalistic positions, explaining, in particular, all events and changes in the Philippines exclusively through the effects of the foreign factor—American imperialism. It is no accident that only one name has been changed in their "United States-Marcos dictatorship" phrase, and today it is the "United States-Aquino dictatorship." After the breakdown of talks on a truce between Aquino and the leaders of the leftist-radical underground in February of 1987, the insurgent movement became more active. Today the armed struggle of the NPA has spread to rural regions in almost the entire territory of the archipelago. This has impelled the ultra-rightist forces to create militarized terrorist formations from among the civilian population to fight the "communist partisans."

The congressional elections of May 1987 that concluded with the impressive victory of the government's "People Power" coalition were an important milestone in the political life of the country. Opposition candidates won just two of 24 seats in the upper chamber (Senate). The victory of government candidates was basically ensured thanks to the personal popularity of Aquino, as well as the agitation of the church. The elections results did not have a stabilizing influence on the domestic political climate. The country has been at the brink of a new power crisis more than once in the last year and a half. There was an open rift between Aquino and Laurel in July of 1988. The latter accused the president of incompetence and called upon her to retire before the expiration of the constitutional term in 1992.

Aquino is trying to reinforce her position in the difficult climate, making use of personal popularity and the

church as well as through moving closer to the conservative forces in the ruling echelons, including the pro-American military elite. The overall swing to the right of domestic political policy was reflected in the composition of the government. Out of 26 ministers of the first Aquino cabinet (1986), only five remained by the beginning of 1988, and all representatives of the leftist-nationalistic circles had been removed from it.

The accent in the foreign policy of the Philippines is placed on relations with the United States as before. As for the Americans, they have adhered to a policy of supporting the government of Aquino since the time it came to power, stressing approval of the restoration of the "democratic process" in the country. The social and political instability in the Philippines is at the same time forcing Washington to maneuver and establish contacts with the most diverse political forces, including those opposed to the Aquino government as well.

The Philippines today remain in the position of "junior partner" of the United States, as was confirmed once again in the negotiations on the bases in 1988. The resolution of the question of the fate of the bases was postponed until 1991, that is, until the expiration of the effective period of the previous agreement. In accordance with the new agreement, the United States increased the dimensions of military and economic aid that it is obliged to pay the Philippines over the course of 1990-91 to 962 million dollars (instead of the 1.2 billion demanded by the Philippine side). The agreement did not satisfy the Philippine public. The anti-base movement, which has been transformed into a real political force under the Aquino government, has not abated. The political struggle between opponents and advocates of the American military presence surrounding the problems of the bases will evidently become even sharper with the approach of 1991.

What can be said regarding the impending prospects for the economic and political development of the Philippines? By the beginning of the 1990s alone, according to the rough outlines of the six-year plan, the Philippines will conclude the restoration of the pre-crisis level of development of the economy and will switch over to augmenting production so as to restore its lost positions within ASEAN. The current government assigns no small role to the financial assistance of world credit institutions, chiefly American ones, in fulfilling the task of raising the economy and preparing a beachhead for a further industrial leap forward. We assume, however, that even with the expected favorable foreign competitive market conditions, the Philippines will hardly be able to fulfill the tasks of the "Yellow Book" (that is what they call the six-year plan in the Philippines) and then break through into the group of "newly industrialized nations." Economic development will be hindered by the burden of foreign debts, grave social problems and, finally, political instability, which the government, as the last three years have shown, has as yet been unable to surmount. The growing social contradictions, deepening political struggle and class polarization will create fertile

ground for a "stable instability." One can expect under such conditions the appearance of a new crisis situation and an alternation of political methods from liberal-reformist forms to strict authoritarian-dictatorial variations.

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### Asian-African Solidarity Organization Meeting Described

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No 2, Feb 89 pp 16-18

[Article by G. Drambyants under the rubric "The 7th AAPSO Congress": "At a Critical Stage"]

[Text] To rephrase the well-known saying, it could be said that in the second half of November of last year, all roads led to New Delhi. The capital of eighty-million-strong India welcomed M.S. Gorbachev with cordiality and hospitality at that time, and literally a day after the completion of his visit it passed the baton of peace, friendship and collaboration to the emissaries of the Asian and African Peoples Solidarity Organization (AAPSO).

Over three hundred delegates from 85 countries of the world and 21 international and regional organizations gathered at the largest hall in New Delhi, the Vigyan Bhavana ("Palace of Science"), for the 7th Congress of AAPSO. Their numbers included a delegation of the Soviet Committee for Solidarity with the Countries of Asia and Africa headed by the first secretary of the CP Central Committee of Uzbekistan, R.N. Nishanov.

The delegates greeted the welcoming message of M.S. Gorbachev to the congress with great enthusiasm, which message noted that the noble goals of the Afro-Asian solidarity movement—peace on Earth, the elimination of colonialism, opposition to aggression and intervention in the affairs of sovereign peoples, the eradication of racism and apartheid—have always had the active support of the Soviet people.

Four years separated the New Delhi forum from the last one, which took place in Algiers. It is a short period of time on a historical scale, but this period was truly a unique one in its saturation with events and the cardinal changes that have occurred and are occurring on the world stage and in the minds of people. Much has changed on our planet: in the political climate, in international relations, in the evaluations and views of the course of historical development and the future of civilization.

The idea that AAPSO should suitably answer the challenge of the times and devise and adopt an effective and seriously thought-out strategy and tactics for the future that corresponds to the dynamic shifts that are transpiring in the states of Asia and Africa and in the whole



world, and simultaneously meets entirely the requirements of this stage of the struggle of the liberated countries for peace and security and the reinforcement of their political and economic independence, proved to be at the center of the delegates' attention. It ran as a leitmotif through many of the speeches at the plenary sessions of the congress and its various commissions. It was noted that such a strategy should be based on the new political thinking and further develop the concept of anti-imperialist Afro-Asian solidarity with a focus on universal human values and the search for ways and means of surmounting economic backwardness and dependence and eliminating hunger, poverty and disease. This ultimately signifies the creation of normal conditions for the existence of millions of people and their inclusion in the historical process.

AAPSO president Murad Galeb and General Secretary Nuri Abdel Razzak noted in their speeches in particular that the solidarity movement is currently at an extremely crucial stage of development. The organization has honorably fulfilled its noble mission over the 30 years of its activity, resolutely bringing to life the ideals of the freedom and independence of peoples and coming out in favor of the unity of patriotic democratic forces in the Afro-Asian countries.

The changing international climate and new view of the world, however, puts before AAPSO the task of a certain correction to its policies, renewal of strategy and tactics and modification of the forms and methods of activity. As Nuri Abdel Razzak declared, there are not and cannot be in the contemporary world any finished formulas or well-trodden paths, the same way as there exists no monopoly of last resort on the truth. This, in his words, "introduces new elements into the idea of peaceful co-existence which require a critical reconsideration by political movements, including AAPSO, of their mission and the overcoming of prevailing ideological views and outdated stereotypes."

It should be stated that the congress in New Delhi differed greatly from prior ones in its critical thrust and sentiment and in the desire of its participants to give a "second wind" to the movement and bring the activity of AAPSO to a qualitatively higher level. It is no secret that at one stage it had slowed its activity somewhat, having encountered a series of difficulties. They were caused first and foremost by the fact that the organization had been unable to discern in timely fashion some fundamentally important processes behind the rapidly changing reality that were transpiring in the countries of Asia and Africa and evaluate the potential of new trends that were gaining in force. This hindered it in making timely corrections in its policies in light of the fundamentally changed world realities. The work of the congress and the nature of the discussions that developed along with documents that were adopted at it testify convincingly to the fact that active efforts are being undertaken for the purpose of correcting past omissions.

The general Declaration (published in the journal), which defines the priority directions of AAPSO activity at this stage of development of the national-liberation movement, has fundamental significance and reveals the prospects for solidarity in light of the radical changes taking place in the world.

The congress participants devoted the most steadfast attention to socio-economic issues. They expressed serious concern with the growing socio-economic difficulties of the liberated countries in the voluminous resolution on development problems, and they came out in favor of a system of world economic security whose creation, along with the achievement of economic decolonization, AAPSO considers to be a task of paramount importance for the movement of solidarity with the Afro-Asian peoples. The policy of dictate, boycott and protectionism in international economic relations pursued by the industrially developed powers of the West, the multinational corporations and international financial institutions, attempts to shift the burden of restructuring the capitalist economy onto the shoulders of Third World countries and to utilize neo-colonial exploitation to undermine the national sovereignty and political independence of those countries were all subjected to sharp condemnation. The delegates stated clearly that the economic progress of the liberated countries is inseparable from the struggle to strengthen peace and security on our planet and is linked with the expansion of their mutually advantageous collaboration at the regional and sub-regional levels and the democratization of social, political and economic life.

The question of eliminating the remaining colonial regimes and eradicating all forms and manifestations of racism and apartheid has deeply fundamental significance for AAPSO. Not a single conference or meeting of the representatives of the organization takes place where this issue is not on the agenda in one form or another. It occupied a prominent position at the New Delhi forum as well. Its delegates pointed out the extremely serious situation that has taken shape in South Africa as a result of the continued existence there of the shameful system of apartheid, the illegal occupation of Namibia and the repressive and aggressive policies of the Pretoria regime. The emissaries of the Afro-Asian countries expressed a fighting solidarity with the people of Angola and the other "front-line states" and called upon all of progressive and peace-loving mankind to pressure the ruling circles of South Africa for the purpose of ensuring the fulfillment of UN Security Council Resolution 435, which envisages the granting of independence to Namibia.

It was pointed out repeatedly in the course of the sessions that the fight for peace and security is closely tied to breaking up regional conflicts and eliminating seats of tension, especially in the Near East. The speeches for a political settlement to the Near East problem were combined with firm support for the just cause of the Arabs. The congress participants unanimously welcomed the proclamation of an independent

Palestinian state and expressed admiration for the courageous uprising in the Israeli-occupied territories, which "really embodies the passionate aspiration of the Palestinian people for national liberation, ensuring the right to return to the homeland and creating a separate and independent state."

The congress adopted a new edition of the AAPSO Charter that is called upon to facilitate an expansion of the social base of the solidarity movement and to impart more of a mass nature and more democratism to it.

For the first time in the history of AAPSO, its highest forum assembled in the place where the solidarity movement was born—on Asian soil—in the city of the historic Delhi Declaration, which laid the philosophical, political and moral foundations for a non-violent world free of nuclear weapons. The congress coincided in time with the beginning of a holiday in India marking a hundred years from the birth of that great son of the Indian people, Jawaharlal Nehru, one of the founders of the solidarity movement.

Opening the congress, Indian Prime Minister Rajiv Gandhi spoke of the renowned traditions of India in the fight for the national liberation of the peoples of colonies and semi-colonies and the actions that have been undertaken by the Indian government to eliminate the last seats of colonialism, racism and apartheid, break up regional conflicts and create a climate of peace and trust on our planet. He devoted much attention in his speech to the topical problems of the Afro-Asian world and welcomed the easing of international tensions that has begun with the reduction of nuclear arsenals by the Soviet Union and the United States. He spoke for a world order founded on principles of peaceful co-existence and an "effective UN system," and called for the establishment of such an information order that would "not ruin the ideological and cultural legacy of peoples." The Indian premier, with high regard for the activity of AAPSO and its contribution to the cause of freedom and independence for the Afro-Asian peoples and their vital interests and rights, appealed to the delegates at the congress to be at the level of the noble mission facing them and to meet the challenge of the times with practical matters.

The work of the New Delhi forum of AAPSO, which was a noteworthy milestone on the development of the solidarity movement, visibly demonstrated the determination of the peoples of Asia and Africa to incarnate their will for peace, justice and a better future in concrete practical affairs and to make even more cohesive the patriotic and democratic forces of the two continents in the fight for the implementation of the lofty principles and ideals of the solidarity movement and for economic and social progress.

#### **Declaration of the 7th AAPSO Congress**

The 7th AAPSO Congress, held at a crucial moment in history, shares the new hopes that have arisen among peoples in connection with the process whose beginning

was inherent in the conclusion of the Soviet-American INF Treaty that envisages the destruction of a whole class of nuclear weapons for the first time in history. This process, to which the growing popular struggle for peace, disarmament, development, democracy and a better life have made a major contribution, lays the foundation for the ensuing qualitatively new period.

At this threshold the 7th Congress solemnly declares its aspiration to fight in the future for the complete elimination of nuclear weapons, economic decolonization, a peace free of exploitation, national oppression and deprivations and for an all-encompassing security.

The participants in the congress in New Delhi give proper due to the glorious struggle of India against imperialism, colonialism and racism. The congress notes with satisfaction India's contribution to the cause of peace on our planet and passionately supports the principles embodied in the Delhi Declaration of 1986, the Soviet proposals in the creation of a world free of nuclear weapons and the Indian plan of action presented to the 3rd Session of the UN General Assembly on Disarmament.

The congress warns peoples of the necessity of displaying vigilance in the face of the dangerous attempts of imperialism to undermine the process of reinforcing peace and new maneuvers and machinations aimed at continuing the policy of aggression and exploitation.

The 7th AAPSO Congress calls upon peoples to devote the most steadfast attention to:

- the necessity of strengthening the struggle to eliminate the remnants of colonialism and racism;
- the neo-colonial penetration that is undermining economic and political independence;
- the continuing imperialist intervention and violation of sovereignty of nations and human rights;
- the dangers engendered by racist and other forms of discrimination;
- the ceaseless plundering of natural resources and the increasing inequality in the distribution of the world's wealth and technology, which has led to growing indebtedness and a worsening of living conditions and hunger in extensive regions of the world;
- the recent dialogue between the USSR and the United States, called upon to facilitate the process of reinforcing peace, disarmament and the settlement of regional conflicts.

The priorities and tasks of AAPSO arise from this and consist of elucidating the goals and mobilizing the peoples of Africa, Asia and Latin America in the name of accelerating progressive development.



Essential for this are:

- the active involvement of the popular masses in the struggle for universal peace and disarmament;
- the fight for the complete elimination of colonialism, racism, apartheid and Zionism and the utmost support for liberation movements;
- the mobilization of society to render practical assistance to peoples coming out against occupation and intervention and for the reinforcement of their sovereignty;
- the achievement of global economic security and the establishment of a new international economic order.

The 7th AAPSO Congress feels that the unity, collaboration and solidarity of the developing and the socialist countries along with all the peace-loving and progressive forces of our planet are urgently necessary for the achievement of all these aims.

We will strive for a world

- free of confrontation,
- free of hunger,
- free of discrimination,
- free of oppression.

We appeal to all peoples to join forces in the struggle for a new world—a world of freedom, justice and peace.

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### Asian-African Solidarity Organization President Interviewed

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 2, Feb 89 p 19

[Unattributed profile of and interview with AAPSO President Murad Galeb by AZIYA I AFRIKA SEGODNYA special correspondent: "The New Tasks of the Movement"]

[Text] *The eminent state, political and social figure of Egypt, Doctor Murad Galeb, was born on 1 Apr 22. He is called doctor not in connection with his academic knowledge and merits alone. An otolaryngological physician by profession, he has taught for a long time at Alexandria and Cairo universities.*

*The diplomatic career of M. Galeb began in 1953 at the Egyptian embassy in the Soviet Union. Next he occupied the post of staffer and chancellery chief for political issues, deputy minister of foreign affairs and was the emissary of his country to the Congo (today Zaire) from 1957 through 1961.*

*An important page in his life was his activity in the post of Extraordinary and Plenipotentiary Ambassador of Egypt to the USSR from 1961 through 1971. Upon his return to his homeland he was named minister of foreign affairs, but he left that position after disagreements with then-President A. Sadat. The year 1973 found M. Galeb minister of information, and a year later he was sent as ambassador to Yugoslavia. He was there until the end of 1977, when as a sign of protest against A. Sadat's trip to Jerusalem he retired and left active state and political activity.*

*M. Galeb took part repeatedly in the work of international conferences and meetings along the lines of the League of Arab Nations, the Organization for African Unity and the non-aligned movement.*

*M. Galeb became a member of the AAPSO Presidium at its 6th Congress in Algiers in 1984, and at the beginning of 1988 he became acting president. The 7th Congress in New Delhi elected him president of AAPSO.*

[Correspondent] What, in your opinion, were the chief results of the supreme forum of AAPSO?

[Galeb] The congress in New Delhi faced extremely important and crucial tasks. A new conceptual base had to be developed that reflected the objective requirements of the current stage of the national-liberation movement, and a long-term strategy projected that meets the urgent problems of the Afro-Asian countries and the cardinal changes occurring on our planet.

I feel that the participants in the congress handled their tasks successfully. They did much serious work and adopted documents recording the key aims and priorities of AAPSO, as well as approved a broad program of actions called upon to make our activity even more broad, impart a greater mass nature and dynamism to it and raise the reputation and prestige of the movement. The delegates, unanimously approving the fundamental platform of AAPSO, have clearly declared their determination to come forth in favor of the conclusive eradication of remnants of colonialism and all forms of racism and racial discrimination and in favor of ensuring the freedom of choice of their own development path by every people in the future as well.

The problem of economic decolonization is topical in the extreme for the countries of Asia and Africa. Under contemporary conditions, it essentially occupies a paramount position in the activity of AAPSO. We are extremely concerned about the serious difficulties being encountered by these countries in the realm of economics, and first and foremost their colossal foreign indebtedness, the poverty situation of millions of people and issues of scientific and technical progress. It is no accident that those speaking at the forum persistently demanded the establishment of a new and just international economic order called upon to create favorable conditions for the vital activity of the Third World nations.

Having carefully studied and analyzed a broad set of cardinal problems of the Afro-Asian world, the delegates came to the firm conviction that the solution of those

problems is inseparably linked with efforts to defend and reinforce universal peace and security. We at our level have decided to support the valuable initiatives of the Soviet Union, India and other countries for the purpose of building a world free of violence, wars and foolhardy arms races. Our pledge is to facilitate in every way possible an expansion of the process of nuclear disarmament that was begun by the Soviet-American INF Treaty and to assist in the incarnation of the proposals to create nuclear-free zones and regions and to arrange relations of collaboration and good neighborliness with the political settlement of regional conflicts.

We are convinced that questions of the struggle for peace, economic decolonization and independence are inseparable. There cannot be lasting political independence without economic independence, just like it is impossible to count on the rapid and healthy development of the national economy without a stable peace and disarmament.

I would like to note in particular that the speech by M.S. Gorbachev to the UN General Assembly made an enormous impression on me. His thoughts and proposals were exceptionally consonant with the views that were expressed by the delegates at the New Delhi forum.

[Correspondent] What do you see as the chief mission of AAPSO?

[Galeb] According to the overall opinion of the congress participants, it is essential to continue a maximum of efforts so as to assist the positive processes in the countries of Asia and Africa and facilitate the cohesion and mobilization of society in the struggle for the goals and ideals of solidarity. The decisions made in New Delhi should become a long-term practical work program for AAPSO and a solid base for consolidating the movement and expanding its ranks. These decisions place exceptionally great responsibility on us and demand the further intensification of efforts in many directions along with a search for effective means and methods for accomplishing the aspirations of the peoples of the two continents.

One cannot be correctly oriented in today's changing world without new political thinking and fresh approaches to the solution of national, regional and global problems. The ideas of a non-violent world free of nuclear weapons that are contained in the Delhi Declaration take on especial significance in this regard. A profound awareness of them is a basic factor in the further rise of the solidarity movement and the renewal of the activity of AAPSO.

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### Gorbachev's Book 'For Peace in Asia' Published in Korean

*Moscow AZIYA I AFRIKA SEGODNYA in Russian No 2, Feb 89 p 24*

[Article by Candidate of Historical Sciences A. Vorontsov under the rubric "On the Bookshelf": "A Book by M.S. Gorbachev in Korean"]

[Text] The publication abroad of works by CPSU Central Committee General Secretary and USSR Supreme Soviet Presidium Chairman M.S. Gorbachev is always an extraordinary event. The "For Peace in Asia" anthology of articles and speeches of the Soviet leader, however, has elicited the especially steadfast attention of readers and has become, it could be said, a pleasant surprise for them.

The book "For Peace in Asia" (395 pages) contains the foreign-policy portion of the Political Report of the CPSU Central Committee to the 27th Congress of the Communist Party of the Soviet Union, the speech of M.S. Gorbachev in Vladivostok of 28 Jun 86, the report "October and Restructuring: The Revolution Continues" and replies to questions from the editors of the Indonesian newspaper Merdeka, among others. It was published in Seoul simultaneously in Korean and English and is intended for the broad public of Asia as well as the South Korean reader.

The appearance of the book is the result of the implementation of a joint project by the Moscow Novosti Press Agency, the South Korean Kukche Corporation and the Vanson AB Publishing Company in Stockholm. This cannot be called accidental. It is enough to recall the translation and publication in South Korea of the book put out in London in November of 1987 by M.S. Gorbachev, "Restructuring and the New Political Thinking for Our Country and the Whole World," which can be perceived as yet another practical step by the South Korean leadership on the path of realizing the so-called "Northern policy" and the course proclaimed by Seoul in the 1980s of establishing and developing relations with socialist countries.

This new direction of Seoul is explained to a certain extent by the fact, paradoxical at first glance, that it is namely South Korea—one of the few states that has no diplomatic relations with the USSR—that has become that country in Asia that supports the basic Soviet proposals to ensure peace and the development of collaboration in the Asian-Pacific region that were contained in the Vladivostok and Krasnoyarsk speeches of M.S. Gorbachev.

This gives grounds to presume that the principles of the new political thinking, which have been transformed into concrete proposals in relation to the Asian-Pacific region by the Soviet leadership, especially those such as the indivisibility and growing interdependence of the contemporary world, the necessity of respecting the interests of all states, equal participation of all countries

in the Asian-Pacific region in the processes of trade and economic collaboration and integration that are actively transpiring in that region, are finding understanding and striking a positive chord among both the ruling circles and the public of South Korea.

The benevolent attitude of the greater portion of the South Korean population toward the Soviet Union, distinctly manifested in particular during the 24th Summer Olympic Games in Seoul, of which this author was able to be personally convinced, should be noted in this regard. A multitude of representatives of various segments of Korean society retain good memories of the Russian-Korean relations before the colonial seizure of Korea by Japan and display a lively interest in the reform of the political system and the mechanism of economic operation that is currently underway in the Soviet Union, with which business circles link serious hopes for the broad participation of South Korean business in realizing the long-term program for the development of Siberia and the Far East proclaimed in the speech of M. S. Gorbachev in Vladivostok and which envisages, as is well known, the active involvement of foreign capital, the creation of joint ventures and the like.

The appearance of the book by the Soviet leader in Seoul could also be welcomed as the first successful example of the materialization of the ideas inherent in the Vladivostok program. The director of the Research Institute of Northern Policy of Korea, Na Chan Chu, expressed the hope in the book's foreword that this publication be useful for creating the propitious atmosphere essential to the aim of improving bilateral relations between the Soviet Union and South Korea. It seems possible to agree wholly with that.

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### Western 'Intellectual Aggression' in Third World Decried

Moscow: AZIYA I AFRIKA SEGODNYA in Russian  
No 2, Feb 89 pp 25-28

[Article by Candidate of Historical Sciences N. Yermoshkin under the rubric "Ideology and Politics": "On the Path to a New Information Order"]

[Text] In the second half of the 1980s, the struggle between imperialism and the non-aligned nations of Asia, Africa and Latin America in the ideological sphere has entered a qualitatively new phase. It is typified first and foremost by an awareness among the peoples of these extensive continents of the importance of being freed from ideological influences alien to their national cultures and spiritual aspirations along with an understanding of the struggle against so-called "information imperialism" and a more realistic approach to evaluating their capabilities and the limits of opposition to the West. Refinements have continued to be made at the same time in the forms

and methods of spiritual expansion of imperialism, and its propaganda apparatus has grown. It is entirely natural that the national patriotic forces opposing it have grown more active in the developing countries with the expansion of such forms of interference. This article discusses some traits of this process.

It is clear today that the struggle of the peoples of the liberated countries against "information imperialism" and "spiritual neo-colonialism" does not promise to be easy, quick or painless. The forces of the opposing sides are too unequal. The press, radio and television of the young states most often do not have their own networks of correspondents abroad, access to modern communications equipment is basically closed to them and they depend on deliveries of spare parts for printing machinery and radio and television equipment from the West. Just seven percent of television stations, 25 percent of radio stations and about 20 percent of the circulation of all of the newspapers published in the world falls to their share, even though the greater portion of humanity lives in the Third World countries.

The mass media in many Afro-Asian and Latin American nations, waging an uncompromising struggle against imperialism and neo-colonialism, are forced to exist under conditions of unequal competition on the part of the major Western information agencies and national bourgeois press organs that receive overt and covert aid from their class partners. In Africa, for example, a situation is preserved through this day under which television and press wholly dependent on foreign capital have seized the monopoly positions.

The materials coming in on the teletypes of the information giants of the West and then moving on to the pages of the bourgeois Afro-Asian press are taking on the nature of a commodity from which its social value has been emasculated. As the French public-affairs commentator and publisher Jean-Louis Servan-Schreiber correctly noted his book "The Power of Information," the agencies of France-Presse, Reuters, Associated Press and United Press International thrust their own evaluations and views on the world, and that situation "forces Egyptians, Argentinians or Swedes, without being aware of it, to see the world through the eyes of Americans, British or Frenchmen." The general secretary of the Pan-African Information Agency (PANA), O. Mpassi-Muba, expresses it in roughly the same tone: "They are trying to thrust upon the Africans an alien opinion even on events that transpire on their own continent. All of this information is presented in a distorted light, since those who do not understand our reality, feelings or sentiments are making judgments about us... As for the actual successes of the young nations of the continent, the imperialist agencies prefer not to notice them at all." Countries with weak information structures that are fighting for the emergence of a national self-awareness for their peoples—and that is how the developing world appears before us today—have proven to be defenseless against this mighty onslaught.



### "Intellectual Aggression"

An analysis of the informational materials coming into Asia and Africa from Western Europe, North America and Japan show that the criteria for their selection are based on the political, economic and military interests of the capitalist powers and the multinational corporations. The principal attention in those materials is devoted to information that implies that the most important elements of the capitalist system are functioning without interruption, and that this should be attractive to the Afro-Asian countries. As was recently noted by the prestigious French journal *MONDE DIPLOMATIQUE*, "the press, film, radio and, most importantly, television tirelessly expand on the same themes, praising aggression, the struggle for personal survival, justified violence, competition and conquest, the selection and hierarchy of the best, money and material success of the victors and at the same time devaluing social solidarity, themes of equality and the justice of resistance to oppression, condemning the slightest fluctuations in the choices of means and aims. Literally engulfed in disordered waves of pictures, sounds and words that they have very little chance of avoiding, the individual person is more and more losing his ability to understand and react." It could be added to this that very often information that could be regarded as a criticism of the Western way of life is relegated to the background, or else does not reach the viewer, reader or listener at all.

An enormous propaganda apparatus, which can be seen well using the example of the United States, is laboring to achieve these aims. The U.S. Information Agency (USIA), which is in the leading position in the system of American foreign-policy propaganda, has 45 bureaus and 27 cultural centers in Africa alone. The deputy director of the television and film service of the USIA, William Eames, states directly that "Today we have expanded our activity so much that Europe has become a sort of unusual occupation for us. Our activity and our programs are addressed basically to Africa, the Far East, Asia and Latin America." The Voice of America radio station that is under this organization increased its broadcasting to 1,327 hours a week in 1987. An increase in broadcast volume to Africa in the Portuguese, French and Arab languages is planned in 1989.

An important role in the foreign-policy propaganda of the United States is relegated to the Central Intelligence Agency, which, as the Americans themselves acknowledge, controls about 50 newspapers in various regions of the world to this or that extent. The director of the New York Institute for Mass Media Research, W. Schaap, feels that hundreds and hundreds of American and foreign correspondents work for the CIA—"more than AP, UPI and Reuters taken together."

One also cannot fail to take into account the influence that the leading Western private press organs have on public opinion in the developing countries. There are currently about a hundred American, British and French

newspapers and journals with special and regional editions that are distributed in Asia, Africa and Latin America. A quite dense network of local bureaus, printing plants and specialized small stores has been created there for this. The *WASHINGTON POST* and *LOS ANGELES TIMES* newspapers, for example, supply newspapers and magazines in over 40 countries of the world with articles ready for publication that are essentially of the nature of political and ideological recommendations. A version of the *WALL STREET JOURNAL*—the organ of the business circles of America—has now been put out specially for Asia for over ten years now. The publishers of the *INTERNATIONAL HERALD TRIBUNE* newspaper have recently created their own special "Asian" version. The London newspapers *TIMES*, *OBSERVER* and *FINANCIAL TIMES* and the British weekly *ECONOMIST* and the French *LE MONDE* continue to play an important role in the political and ideological influencing of the Afro-Asian audience to this day.

It can be seen even from this far-from-complete listing of newspapers and journals that the West devotes much attention to its "intellectual aggression," which, although it is not directed toward seizing others' territory, enslaves the consciousness of tens of millions of people living on the capitalist periphery. But after all, matters are not just limited to press output. National spiritual values have proven to be literally defenseless to the onslaught of American mass culture and its Singapore, Taiwanese and Hong Kong items. In many states there are even no legal restrictions on cultural output. The question of whether society should control the importation of video cassettes and their production and dissemination is only beginning to be discussed, and they have already flooded dozens of countries in Asia, Africa and Latin America. The press of a number of states in the aforementioned continents directly link the ever more frequent murders, robberies and violence there with the growing flood of video cassettes from the West, gangster films and the dissemination of American comics.

Facts testifying to the direct links of official propaganda and business can be found both in the research of American scholars and in government documents and reports on sessions of U.S. congressional committees. An analysis of the interdependence that exists in the sphere of forming information policy between state power in the capitalist countries and the large private corporations operating in the sphere of culture and ideology eloquently demonstrates the role and responsibility of the latter in distorting the depictions of the developing countries, as well as the preparation of information specially intended for them.

The problem, which is acquiring more and more acuity, thus consists of the uncontrolled utilization of mass media in private hands in the interests of imperialism. Acquiring international status and being concentrated in Western centers possessing political and economic might, they consciously or unconsciously deepen to the



extreme the inequality that is arousing the growing indignation of the peoples of the developing countries.

National traditions are being supplanted by the commercial principle of "more advertising and less culture, more diversions and less information." The mass media are wholly consciously forcing us to work not on elevating and spiritually enriching the human personality, as a series of UNESCO documents states in general, but rather on robbing and denigrating it. Communications in the hands of the private sector of capitalist society serve the mercenary aims of entrepreneurs and are transformed into one more source of imbalance and inequality in the world.

### **A Consolidation of National Forces is Needed**

The situation that has taken shape in the realm of information exchange between the developing nations and the West, as we see, requires urgent measures. The liberated states actually advanced as early as the middle of the 1970s, and have been defending for 15 years now, the concept of a new international information and communications order (NIICO). It was thus noted at the 5th Conference of the Heads of State and Government of the Non-Aligned Nations that was held in Colombo in 1976 that the establishment of a new order in the realm of information is today no less topical a task than the establishment of a new world economic order. The economic and political independence of the developing countries can and should be supplemented with independence in the realm of mass media. And it is no accident that the heart of the NIICO concept is the struggle for national sovereignty in the sphere of information, communications and culture and against colonialism and its remnants and alien domination in the spiritual life of the peoples of Asia, Africa and Latin America.

The foundation of these tasks, in the opinion of the developing countries, should be a radical restructuring of the world system of information relations for the purpose of giving them the opportunity of taking part equally in the international exchange of information, no longer acting as the passive recipients of Western information. In the international legal aspect, NIICO assumes the legalization of such a situation under which the fulfillment of the founding principles and norms of international law in relations between the developed and the developing countries would be ensured.

The preliminary conditions for the establishment of a NIICO were formulated later, in the Political Declaration of the 6th Conference of the Heads of State and Government of the Non-Aligned Nations in Havana in 1979. This document emphasized that "The conference feels that the reinforcement of national media and systems of mass communication and the affirmation of the role of national sources of information in the realm of problems associated with the social, economic and cultural development of each country and people and their joint actions in the world arena, the training of national personnel (independently and with the aid of other

non-aligned countries and at the international level through the UN and its specialized institutions) and the development of a technical and technological base are all essential preliminary conditions for the establishment of a new international order in the sphere of information and the multilevel flow of information."

The concept of the NIICO was subjected to further development, elaboration and concretization in subsequent years at various international forums. In November of 1986, the 41st Session of the UN General Assembly adopted a resolution in which the idea of establishing a NIICO was addressed anew. This time, as opposed to the resolutions of prior sessions, the role of the mass media for propagandizing the efforts of the developing countries to achieve economic, social and cultural development was emphasized to a considerably greater extent. The document discusses the necessity of access for the developing countries to the latest achievements in the realm of information technology and focuses attention on the activity of the pool of information agencies of the non-aligned countries. The role of the developing countries in utilizing their own resources to create national information systems was noted. The session resolution broadly considered problems associated with the dissemination of information on the difficult economic situation in the African nations.

The highest possible concentration of national forces is required to bring to life the concept of a NIICO under conditions of extremely limited financial, technical and economic resources in the Third World countries and the neo-colonial expansion of imperialism. The minister of information and radio broadcasting of Kenya, Waruru Kanja, called upon the states of Africa at an all-Africa meeting of the creators of television programs in Nairobi in October of 1988 "to join together so as to repulse preconceived information disseminated by 'outside sources' on what is happening on the continent. We should," he declared, "change opinions of Africa, tell about it from the African point of view, rejecting distorted reports, rash conclusions and half-truths. We have more than wars, droughts and hunger, as the foreign mass media presents it."

The point of view of the necessity of rejecting the Western model, based on commercial principles of supply and demand and not taking into account the role of the state, is becoming more and more widespread. The mass media are a most important tool for the formation of public opinion, assisting in developing education and eliminating illiteracy. The leaders of Asian and African countries, even those who have taken the capitalist path, acknowledge that the most acceptable model for the functioning of the mass media in their societies is the principle of social responsibility. This has been mentioned repeatedly at forums of the non-aligned movement as well as at a series of other prestigious meetings

and conferences. The achievement of a NIICO represents for the developing countries an important component of the overall process of decolonization and a strategic direction of the struggle for liberation from any forms of dependence.

One important component of the struggle for a NIICO is the creation of a pool of information agencies of the non-aligned countries, as well as regional associations of the press agencies of Asia, Africa and Latin America. Notwithstanding the great difficulties of both a technical and a political nature that the activity of this pool has encountered, its influence is growing steadily. Today it unites the agencies of about 90 nations.

These states also have their own regional information agencies—Caribbean, all-American, Asian, Arab. The necessity of creating an intrinsic autonomous network of communications has thus led to the formation of PANA. The first report of this agency, prepared by African journalists, was transmitted with the aid of a continental telecommunications network on 25 May 83. Today over 40 states of the continent make use of the services of PANA, many of which regularly transmit reports for it. Agency bulletins—"PANA-Futures," "International Institutions"—are published, as well as surveys of the African press. All of this, as is emphasized in the convention on the formation of PANA, is aimed at "correcting the distorted depiction of Africa and its countries and peoples that has taken shape as a result of the dissemination... of biased and non-malevolent information."

The Soviet Union supports the creation of regional information associations of the developing countries that have as their aim eliminating the sway of the imperialist propaganda monopolies. Our country is unwaveringly and consistently in favor of the use of the mass media in the interests of reinforcing peace, affirming a climate of trust among peoples and fighting colonialism, racism and apartheid.

M.S. Gorbachev in his book "Restructuring and New Thinking for Our Country and the Whole World" emphasized in particular that the path toward normalization in international relations—in economics, in the sphere of information, in ecology—should proceed on the basis of broad internationalization. Taking into account that today's complex and multivaried world is becoming more and more interdependent and interconnected, the Soviet Union has proposed that the development of a worldwide information program under the aegis of the United Nations be started to familiarize the peoples of the world with the lives of each other, but such as it really is, and not as the Western interpreters would like it to be. This project should thus envisage liberating the flows of information from stereotypes of the "face of the enemy," from prejudice and bias, absurd fabrications and intentional distortions and shameless flouting of the truth.

Speaking in October 1988 at UNESCO, CPSU Central Committee Politburo member and USSR Minister of Foreign Affairs E.A. Shevardnadze not only repeated these proposals, but also expanded them considerably. This universal organization itself could assist in the creation of a worldwide information program for the UN, using its own television channels and computer network for it. The USSR is promising its support for this action using its own national technical means, having in mind the dissemination of ideas of unity in the interest of mankind, protecting and bringing closer their spiritual and ethical values and expanding humanitarian and intellectual cooperation.

The Soviet Union has for its part has supplied and will supply, on the basis of bilateral agreements, various equipment and spare parts to equip radio stations, printing plants, plants for the manufacture and assembly of television sets and transistor receivers, for film studios and for national libraries, and will dispatch its experts to install and set up equipment and develop plans for the development of national means of communication in the Afro-Asian countries. Significant assistance is also being rendered in the training of personnel in the corresponding fields.

#### An Urgent Task

The topical nature of the problems of international information exchange is increasing steadily in our time. Today no one can deny the fact that the influence of the mass media on the development of international relations is great and that scientific and technical progress is creating opportunities for seeking out new forms of international exchange in the spiritual realm. A question that must be resolved on a basic and practical level without postponement is whether the interests of the world and mankind and the individual nations, however large or small they may be, are met by such things as protectionism, monopolism in science, technology, communications or all sorts of other artificial restrictions.

It is dangerous as well as amoral to keep whole peoples on the periphery of the scientific and technical world taking shape, palming off on them the "toxic" items of mass culture, and dangerous not least of all for the peoples whom history has brought to the pinnacle of prosperity and sufficiency.

The comprehensive international legal regulation of questions of international information and communications is an urgent task requiring practical resolution. Insofar as the aforementioned resolutions and declarations are not legal agreements, they do not have legally binding force for the signatory states, impose just a moral responsibility and are exclusively of the nature of a recommendation. The adoption of a convention on the principles of international information activity within the framework of the UN or UNESCO which would ascertain the goals and principles of international information and communications, contain the obligations of the states to extend principles of international law to

their own information activities and summarize the legal norms employed in international information activity would be an important contribution to the cause of creating a NIICO.

The international aspect of the restructuring, glasnost and democratization of all aspects of our life being implemented in the Soviet Union is an invitation by socialism to the socio-political system opposing it to broad, concrete and businesslike economic and cultural collaboration in the name of man and in favor of universal progress and peace throughout the world, an invitation to competition that is broad and worthy of the moral, academic, cultural and technological heights that have been reached by mankind by the end of the 20th century.

The question of eliminating the gap between political practices and social moral and ethical norms has come onto the agenda in all its magnitude. "...The leaders of the Soviet Union," said E.A. Shevardnadze, the head of the Soviet delegation at the 43rd Session of the UN General Assembly, "has tried to interpret more deeply the idea implicit in Marxism from the beginning of the interconnection of the class and the universal, giving priority to interests common to all mankind."

All of this advances the problem of achieving a new international information and communications order among the topical problems of modern times. The nature of the interchange among the peoples of the planet and the affirmation of the new political thinking depend largely on its resolution.

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### **Mongolian Foreign Affairs Minister Interviewed on Security Issues**

*Moscow AZIYA I AFRIKA SEGODNYA in Russian No 2, Feb 89 pp 36-37*

[Interview by AZIYA I AFRIKA SEGODNYA correspondent Anatoliy Mirov with Mongolian People's Republic Minister of Foreign Affairs Tserenpilyn Gombosuren under the rubric "Our Interviews": "Mongolia—A Spirit of Renewal"]

[Text] [Mirov] In your speech to the 43rd Session of the UN General Assembly, you noted that on the one hand, the overall trend toward a revival of the political climate on the planet is not skirting the Asian continent either, while on the other you emphasized the complexity of the situation in the region. Could you develop that idea?

[Gombosuren] When we speak of late of improvements in the international climate, we have in mind first and foremost such noteworthy phenomena as the beginning of real nuclear disarmament, new approaches to the political settlement of regional conflicts and the setting up of a dialogue among the major powers. All of this

relates in most direct fashion to Asia as well. Thus, in accordance with the Soviet-American INF Treaty, the Asian mainland is free of nuclear weapons of that type. The conclusion of the Geneva agreements on Afghanistan, the cease-fire in the Iran-Iraq war and the intensive dialogue on a Kampuchean settlement are facilitating positive changes in the political atmosphere on our continent. A growing interest in mutual understanding is being observed in many countries of the Asian-Pacific region.

Such major powers as the Soviet Union, China, India and Japan, as is well known, are located on the territory of Asia. It is understandable that the level of development of bilateral relations among these states cannot help but be reflected in Asia-wide stability. Imitations of Soviet-Indian ties are of merit here. A great potential for peace is also inherent in the future upward development of Soviet-Chinese ties. Today, it is evident, it is still too early to speak of an Asia-wide process by analogy with the European one, but the spirit of the new thinking is nonetheless making its way in international relations on our continent as well.

There are, however, still many military, political, regional and other problems awaiting resolution. They are conditioned in particular by the presence of a shortage of trust and mutual understanding along with fragmentation and a lack of development of integratory ties among the states of the region. The neo-globalist policies of the imperialists, who see the Asian-Pacific region as a zone of their "vital interests," are aggravating old problems and engendering new ones. The augmentation of U.S. military potential in the region, the deepening of its militarist ties with its partners in the region and the continuation of attempts to create closed economic groupings, the weapons trade that is reaching unprecedented scope, along with other negative trends, are eliciting more and more alarm.

[Mirov] How would you, Comrade Gombosuren, evaluate the substance and significance of the new proposals advanced by M.S. Gorbachev in his speech in Krasnoyarsk?

[Gombosuren] Soviet policy in the Asian-Pacific region is currently typified by more constructiveness and purposefulness than before. The Krasnoyarsk proposals are new confirmation of that.

We see in them the genuine aspiration of the Soviet Union to weaken military confrontation in the Asian-Pacific region. And this is very important, insofar that it is namely the high level of military confrontation with its nuclear component that is one of the principal destabilizing factors of the climate in the region. The Soviet proposals are realistic. The new obligations that the Soviet Union is taking on, by way of example, in relation to nuclear forces and the Krasnoyarsk radar are reinforcing confidence in the whole set of Krasnoyarsk initiatives.



I want to note separately the importance of posing the question of creating a negotiating mechanism in the Asian-Pacific region, which is simply essential. Many problems are so intertwined there that untangling them in balanced fashion requires the efforts of all interested states.

The Krasnoyarsk initiatives overall, in my opinion, will provide an incentive for the positive processes that are transpiring in the region.

[Mirov] How, from your point of view, do the new Soviet initiatives correlate with the well-known peace initiatives of Mongolia?

[Gombosuren] Our proposal, advanced several years ago, as is well known discusses the creation of a mechanism that would rule out the use, or the threat of the use, of force in relations among the states of Asia and the Pacific. It seems to us that if the nations of the region take upon themselves in proper fashion the formulation of obligations not to resort to force in relations with each other, that would be a reliable guarantee of security in the Asian-Pacific region. I emphasized above the significance of posing the question of creating a negotiating mechanism in this sense.

The proposals of both Mongolia and the USSR are dictated by a concern for strengthening peace and security and reinforcing trust and the development of peaceful collaboration in the Asian-Pacific region. They are consonant not only in their thrust toward reducing the military danger and the peaceful settlement of regional conflicts, but also, I would say, in spirit and specifics. After all, in both cases they have in mind the creation of a mechanism that would assist in the affirmation of peaceful co-existence as a universal principle of relations among nations.

It must be said in general that the proposals tied to ensuring security in our region have advanced somewhat. This is also a visible indication of the vested interest of the countries of the region in finding ways and means leading to peace and tranquillity. The practical consideration of these proposals at a meeting of foreign ministers of the countries of the Asian-Pacific region would be useful in all regards.

[Mirov] The 50th anniversary of the rout of the Japanese forces at Khalkhin-Gol, the symbol of the combat fellowship of our countries, is being observed this year. What typifies Soviet-Mongolian relations today in the peace field?

[Gombosuren] All-round friendly relations have long been established between our countries. The question of their further improvement is nonetheless exceedingly topical. The spirit of renewal and restructuring characteristic of contemporary times permeates the traditionally extant interconnection between the two countries.

The utmost increase in the effectiveness of bilateral collaboration, first and foremost in the economic realm,

is an important task. These goals are served by the Long-Term Program of Development of Economic, Scientific and Technical Collaboration Between Mongolia and the USSR for the Period to the Year 2000, as well as the Concepts of Foreign Economic Ties Between Mongolia and the USSR for the Period to the Year 2005. They reflect the agreement of our two countries regarding the priorities of Mongolian-Soviet collaboration. We assign exceptional significance to the timely realization of all the provisions of these documents.

Another cardinal direction of our long-term and purposeful interaction has been defined in the Program for Deepening Collaboration Between the MNRP [Mongolian People's Revolutionary Party] and the CPSU in the Realm of Ideology, Culture, Science and Education that was adopted last year. It is called upon to bring collaboration in that sphere to a new level.

You cited Khalkhin-Gol as a symbol of the combat fellowship of the two countries. Military collaboration really was and remains an important constituent element of Mongolian-Soviet relations. We will reinforce its rich tradition in the future as well. The positive development of events in the world and in our region and the further affirmation of the new political thinking in international affairs will be reflected in the collaboration of the two countries in that realm as well.

In conclusion I would like to express confidence in the fact that we are lifting our relations to a new height through our reciprocal efforts, as the times demand.

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### Poor Economic Conditions in Nepal Examined

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 2, Feb 89 pp 43-45, 53

[Article by Doctor of Historical Sciences I. Redko and L. Khlebnikov under the rubric "Meetings, Travels, Impressions": "The Past in the Present"]

[Text] *A royal proclamation on the abolition of the hundred-year-old autocratic regime of the feudal Rana family was promulgated on 18 Feb 51. Since that time, this date is marked as the National Democracy Day of Nepal.*

*This article discusses the changes that have occurred in the country and its achievements and difficulties on the path of transformations.*

The cordial stewardesses of the Royal Nepal Airlines aircraft give each passenger a colorful brochure of the department of tourism. "In visiting Nepal," the brochure claims, "you are coming into contact with an ancient and original culture. Exotic monuments of architecture that have come from centuries of antiquity meet your gaze. You will be fascinated by the astounding face of the Himalayas." And so a trip to a country with peaks



above the clouds, dizzying paths and rushing mountain streams, a region of picturesque gorges and valleys, awaits us.

"Nepal is becoming a mountain tourist Mecca, and that is bringing more and more income to the state budget," we were told at the Kathmandu capital hotel recently built and maintained in traditional Nepalese architectural forms. "The country in the Himalayas received over a quarter of a million guests last year through the efforts of the authorities and private tourist offices, which generated over 50 million dollars for the state coffers."

Foreign airlines and tourist agencies are organizing direct charter flights to Nepal from Western Europe and Japan. Today the task is to bring the annual influx of tourists to a million people by the end of the century. The creation of new tourist bases and the opening of additional roads in Kathmandu valley and in the Terai—the tropical regions of the southern part of the country—as well as in the spurs of the Himalayas is planned for this.

The Kathmandu valley is the historical and cultural center of the Nepalese state. It is called with complete justification a "museum of antiquities under the open sky." Here there are some 2,500 temples, monasteries and other sanctuaries, 800 of which are included in the UNESCO catalogue, in an area of 600 square kilometers. Among them are the great temples of Bodnath, Svayambhunath, Pashupatinath and Nyatapola. Tour guides claim that it is namely the Nepalese temples in the pagoda style that influenced the architecture of South-east Asia and China.

Tourists are invariably brought to the palace square of the capital. The Nepalese monarchs have been crowned in the ancient royal palace of Vasantapur-Darbar since ancient times. Not far from it is the sanctuary in which resides the living goddess of the Hindu pantheon—kumari, a girl selected for the "divine position" as a result of a complex ritual procedure at the age of four to six years. The patroness of the ruling royal Shah dynasty ruling the country, she is considered to be the embodiment of chastity. Each year she "grants" power to the ruler during religious holidays. But her own "divine age" is short—just until sexual maturity. Then another "goddess-recluse" is selected.

On this same square, carved from black granite, is the Hindu god Kal (Black) Bhayrav, simultaneously symbolizing the forces of destruction and the forces of creation, and, opposite, the enormous head of Seto (White) Bhayrav. This deity is the keeper of the city.

West of the palace square is the Svayambhunath Temple. Like 200-300 years ago, shaven-headed Buddhist monks in yellow and dark purple robes ascend to the sacred place on a multitude of steep stone steps. And at the other end of Kathmandu, at the Pashupatinath Temple,

religious ablutions are performed by Hindus (they comprise the overwhelming majority of the country's population) in the holy river Bagmati. Pashupatinath—one of the most revered temples among the Hindus of Nepal and India—is under the patronage of the ruling royal dynasty. According to the constitution, the Nepalese monarchs are "adherents to Aryan culture and Hindu religion and the source of power." The Worldwide Conference of Hindus added another title to the multitude of the current monarch Birendra Bir Birkam Shah Dev in the spring of 1987: "King of all the Hindus of the world" ("Hindu Samrad"). The participants in the conference decided to open an International Institute for the Study of the Veda and other theological tracts in Kathmandu.

"We," wrote the Nepalese newspaper DRISTHI WEEKLY, "do not object to the decisions made by the conference. But we would like to remind you that there are also many secular matters and urgent problems awaiting resolution as well." And a brief acquaintance with Nepal is enough to become convinced that these problems are profound and serious.

Since the abolition of the rule of the feudal Rana family in 1951, the country has undergone many changes. At the central statistical bureau they acquainted us with numbers such as these. There were just twenty schools in operation in Nepal at the beginning of the 1950s. Today they number over 20,000. The overall literacy level of the population has grown from six percent in 1950 to 30 percent at present.

Some shifts are also occurring in the economic infrastructure. The overall length of auto roads has grown from 376 kilometers in 1950 to 6,134 in 1986, wherein almost half of them are hard-surfaced. The ties among various regions have infused an active spirit into the economy. The number of small cottage industries, principally for processing agricultural raw materials—churning, milling, rice scouring—is growing at a rapid rate.

But the return from the socio-economic changes being pursued is still insignificant.

"Our country," eminent lawyer Krishna Prasad Bhandari, president of the Nepalese-Soviet Friendship Association, said with passion and alarm, "is one of the poorest in the world."

The annual income per capita in Nepal is actually just 170 dollars. According to official data, some 45 percent of all Nepalese (and 60 percent according to unofficial data) live below the poverty line. About six percent of the able-bodied population has no work at all, and roughly half are partially unemployed. The rate of population growth—2.7 percent a year—is outstripping the annual increase in the gross national product (an average of 2.2 percent).

In Nepal, where a large portion of the territory is taken up by mountains, the shortage of arable lands is

extremely palpable. The principal granary is the Terai, the lowlands stretching in a narrow band along the southern border with India. The scarcity of land combined with the feudal system of agrarian relations is forcing the Nepalese peasantry to move higher and higher up the slopes of the Himalayas, clearing them of brush and trees. Thus arises—or more correctly, has already arisen—a serious ecological problem that both scholars and politicians are discussing with alarm: the area of forests in the country has been reduced by almost half over the last quarter century. If the timber cutting continues at the current rate, it will all disappear, according to forecasts, by the end of our century.

The destruction of the forests is also accelerating soil erosion. Landslides during the monsoon rains are taking on dangerous dimensions. The country loses some 66,000 hectares of fertile land every year due to erosion and landslides, which is carried by fast currents into the Ganges and deposited at the mouth of it in the Bay of Bengal, making islets there. The residents of the northern states of India suffer along with the Nepalese from the destructive flooding and inundations of the rivers.

The shortage of land is forcing many Nepalese to move from the mountain regions, not only to the Terai, but further south to India as well, in search of work and daily bread. Quite a large number of emigres from Nepal has concentrated in the northeastern regions of India over many years, creating difficulties of an economic and political order. True, the reverse process is also occurring: no few Indians are resettling in Nepal, first and foremost in the Terai. The Nepalese authorities have recently begun to pay particular attention to the problem of immigrants and to take steps to restrain Indian migration into the southern regions of Nepal, which are more developed in an economic sense. The registration of "indigenous inhabitants" and the issuance of citizenship certificates has been underway in Nepal since the end of 1987. The number of individuals that the authorities take into account in distributing land, rendering various types of assistance, hiring for work etc. is thereby limited.

A direct and immediate link thus exists between social factors and economic problems.

The government authorities are trying to alleviate the difficult situation that has taken shape in agriculture to a certain extent. We found out from an economic survey by the minister of finance (for the last fiscal year) that capital investment in irrigation and raising the yield of grains is being increased. The steps being taken are not having the desired results, however. The volume of agricultural production moreover even declined last year. There has not even been enough food grains for domestic needs in recent years, and it has been transformed into a permanent import line item. This is one of the reasons for the considerable foreign-trade deficit. And even as recently as the 1970s, Nepal was exporting rice and wheat. The distinguished Nepalese economist and agrarian M.Ch. Regmi, with whom we spoke, feels

that the causes of the woes of Nepalese agriculture lie first and foremost in the social sphere. Large estate landholding is preserved, while small-scale peasant lease farming is not very productive, and the peasants are moreover being strangled by the extortionate usury. And even though new agrarian legislation was adopted 25 years ago, over half of the lands suitable for cultivation remain in the hands of nine percent of the major landowners, while the other half is scattered among the 91 percent of small and very small farms. Three fourths of such farms are unable to produce commodity output at all due to their small capacity.

The government of Nepal continues to be oriented not so much toward the mobilization of internal resources and internal sources of accumulation as it is toward foreign aid. But even a significant portion of that proves to be unused. In the current, Seventh Five-Year Plan (1985-90), some 70 percent of the country's budget expenditures will be covered through foreign aid.

Until the middle of the 1970s, the Nepalese authorities devoted their attention to the preferential development of the state sector of the economy. A sugar plant, cigarette factory, plant for agricultural implements and other facilities constructed with the technical assistance of the Soviet Union comprised the foundation of that. They are generating no little profit for the state today as well. The cigarette factory, for example, brought in some 460 million rupees of income to the treasury last year. But state industrial production began to be reduced and private enterprise and foreign aid encouraged at the end of the 1970s and beginning of the 1980s anyway. Such was the basic substance of the "New Industrial Program" that was adopted in 1981. Material corrections and additions were made to it at the end of 1987 that were called upon to ease the influx of foreign capital into the country and to stimulate the private sector through tax and other advantages. In January of 1988 the Ministry of Industry published rules according to which foreign investors were permitted to hold up to 50 percent of the stock in medium-sized enterprises and 100 percent of large ones. But foreign entrepreneurs are not yet displaying especial activeness. In 1988 the government announced the sale of stock in low-profit state enterprises in Hetaur and a textile mill in Balaju.

The increasing foreign indebtedness is evoking the legitimate alarm of the Nepalese public. Whereas it was 10.3 billion rupees at the end of the 1985/86 fiscal year, as early as July of 1987 the foreign debt had grown to 15.2 billion. The debt payments are also growing. "The danger is not restricted to growth in foreign indebtedness," the Nepalese journal KIRAN wrote recently. "It also consists of the fact that the choice of facilities in the creation of which assistance will be rendered are frequently made by the donor countries without regard for the interests of Nepal, that a considerable portion of the allocated funds expended on the upkeep of experts and consultants are used poorly and inefficiently and have no appreciable effects on the development of the national economy."

In reality, not a single industrial enterprise important in any way to the economic development of the country has been built using the funds of Western donors over three decades and more. And the influence of those who grant financial aid has grown so much of late nonetheless that, in the words of S.B. Thapa, a member of the National Panchayat (parliament) and former prime minister, "today the government has lost the ability to resolve economic issues independently. We are either subordinate to the dictate of international financial institutions or we accept the decisions suggested or foisted by the donors."

The social disorganization of broad segments of the population is leading to growth in political tensions. Demonstrations and strikes with the participation of students, teachers and low-level employees are taking place more and more often in the cities. Farm laborers, lessees and agricultural workers have taken part in demonstrations in the villages. They are demanding the redistribution of land in favor of the small landowners and landless peasants and effective steps to fight unemployment and rising prices. Various social strains are calling for a unity of action based on a minimum program that envisages, along with the enumerated demands of a socio-economic nature, the democratization of political life.

Broad circles of the public are becoming more and more convinced that a most important precondition for the successful resolution of the problems facing Nepal is the reinforcement of peace and regional and international security. "Peace and development for our country," said the director of the Center for Nepalese and Asian Research of Tribhuvan University (where the majority of the 52,000 and more students of the country are studying), Kumar Khadga Bikram Shah, to us, "are not abstract concepts, but rather realities of life and imperatives of it. It is thus no accident that we are actively in favor of disarmament and for a new international economic order at the UN and various international forums."

The publications of the center devoted to these problems enjoy great demand in the bookstores. Among them are the works of Doctor Yadvath Khanal. A professional diplomat, he was the ambassador of Nepal to India and China, and for a long time occupied the post of secretary for foreign affairs in the ministry of foreign affairs. Retired due to age, he continues to take active part in public and academic life. His monograph on the foreign policy of Nepal came out recently.<sup>1</sup>

In answering our question "How do you evaluate the contemporary situation in Asia?" Yadvath Khanal said that today's situation in this region seems to him to be extremely contradictory. "On the one hand," he stressed, "the Asian continent remains an arena for protracted regional conflicts. It is sufficient to address the explosive situation in the Near East to be convinced of that. But on the other hand, positive elements, albeit not so many as yet, are also evident. It is essential first and foremost to

cite the achievement of the Geneva agreements, which have great significance for an Afghan settlement. Military action has ceased between Iran and Iraq. I am convinced that the practical implementation of the initiatives of Mikhail Gorbachev relating to the Asian-Pacific region will move the cause of universal peace and international security forward considerably."

Continuing on this theme, the eminent Nepalese political scientist Lok Raj Baral directed attention toward the process of normalization in Chinese-Indian relations. "This," he emphasized, "will work in favor of Nepal as well. Located between the two great Asian powers and without access to the sea, Nepal has a vital vested interest in reinforcing peace in the Himalayan subregion and in all of southern Asia. This should also be assisted by the creation of South Asian Association for Regional Cooperation—SAARC."

The trip to Nepal came to an end. At the Nepalese airport we were met by the advertising announcement "Visit Nepal! If you have already visited our country, hurry back again. Nepal, after all, is the past in the present." But the past is less and less defining the present, the more so the future, of this country. The hands of the clock of history are reading a new time for Nepal as well.

#### Footnotes

1. Y.N. Khanal. *Essays in Nepal Foreign Affairs*. Kathmandu, Malla Press, 1988.

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#### Changing Attitudes of Japanese Youth

*Moscow AZIYA I AFRIKA SEGODNYA in Russian*  
No 2, Feb 89 pp 46-48

[Article by M. Kirillova: "What Are the Youth of Japan Like?"]

[Text] I was on a language internship in Japan for a year. On a sunny spring day I and my friend came to Tokyo, this time selecting as the place for our walk the "youth region" of Harajuku. Harajuku is one of the noteworthy places of the Japanese capital. Supermodern (and superexpensive) stores and cafes are located here, and here extravagantly attired youth pass the time, here the Japanese "informals" gather. We knew little of the "informal" youth movements in our own country at the time, so what we saw simply startled us.

The first impression was a bazaar of attributes for adherents to various directions of the so-called "youth culture": chains and bracelets, leather clothes with rivets, belts and crosses. Japanese with fine rose-colored hair pose for the camera with great satisfaction. Clearly flattered by the attention of the foreigners, a seller of T-shirts with inscriptions for every taste: along with calls to oppose nuclear power was the slogan "Sex, drugs and



rock-'n'-roll!" Suddenly my friend took me by the arm: coming directly at us was a creature with a bright scarlet haircut with a face decorated with black and white paint. A green overall with a cross attached to the back did not even give the opportunity of determining the gender of the unusual passerby, and just the boots made it possible to assume that this was most likely a man. When we gathered our senses it was too late to take a picture. But the most interesting was ahead of us.

Young people dressed in punk and heavy-metal clothes, and others in fabulous and even ball vestments, were walking, dancing and listening to music at the very beginning of the broad boulevard. Some were dancing holding ladles, others were covered within cans or fox-brushes. Further along was a production by an amateur theater. Here and there were singers and musicians. A curious public was wandering among them. The atmosphere was very happy and benevolent, while the "terrible" punks amicably invited me into their circle. It was interesting that this odd relaxation was guarded by the police, whose car was off to the side. I emphasize that the leisure of the youth was guarded, and moreover in very delicate form: there was not a single policeman in the crowd.

I later got acquainted with a youth who had recovered from the illness of "the Harajuku dances."

"A friend brought me there," related one of the students from Waseda University. "These Sunday gatherings saved me from loneliness, creating an illusion of belonging to a group. But we never met on other days, and we knew nothing at all about each other. I had had enough after a year."

Waseda University is the most prestigious liberal-arts university in Japan, and I was surprised that there were representatives of the "intellectual elite" among the "bamboo children" (as they call those who assemble and dance at Harajuku). It turns out that it is basically those studying at the higher schools that are attracted to the "informal" strains in Japan. The question recently arose of whether there was nothing more for the students of that elite university to be engaged in.

I could not make up my mind for a long time to ask the students at Waseda how they used their free time: after all, I saw with my own eyes the excellently equipped libraries and visited the museums of the student theater. But it turned out that the majority of the students, like the overwhelming portion of Japanese youth, spend their leisure time in cafes, movie theaters or *pachinko*—gambling pavillions—and if they are reading, it is basically comics. The Japanese, by the way, put out entirely serious literature in the form of comics as well. Such booklets of "drawings," of course cannot transmit the psychological depth and linguistic charm of the present work. But they are a product of their times and have one marked merit: the perception of what is read, which is exceedingly important in our information-saturated age, is eased with the aid of visual images. The comics are

probably a distinctive form of relaxation after the "exam hell," as the Japanese call the harsh climate of competition that rules during the period of entrance exams (especially for the prestigious higher educational institutions). The entrants have a saying: "If you sleep four hours, you'll get by, if you sleep six hours, you'll fail." The student days in Japan are in general a natural "breather" between the intense classes in the schools and entering independent adult life, which signifies intense labor first and foremost.

So what are they like, these young Japanese who will determine the tomorrow of the "country of the future," as Japan is often called?

They have many facets and many layers, they are a sort of vertical slice of the complex social structure of the country. It is thus impossible to draw a unified or even approximate image of the face of the "young Japanese." We see on our television screens most often that part of the Japanese youth that is singled out from the general mass either by constructive social positions or by reactionary slogans. These are, however, just small (albeit probably the most vivid) groups of young Japanese men and women. According to official data, just about four percent of the Japanese youth are part of large organizations of a political nature.

The neo-conservative movements that engulfed the country at the end of the 1970s and in the 1980s had a serious influence on the system of views and sociopolitical positions of all classes and segments of Japanese society. Public-opinion polls of the last decade distinctly show the individualism, self-satisfaction and striving for diversions and prosperity, as well as the apolitical nature, of the overwhelming mass of young people. To the question "Are you bothered by the interests of the youth as a social groups?" the poll's organizers received the following paradoxical answer: "We are too lazy to care." The young Japanese gave a scathing description of themselves. The majority of those answering feel that the outstanding features of the Japanese youth are "complacency and vanity."

Today's young people are far from the traditional slogans of "self-sacrifice," and they are closer to the ideas of personal success; the young prefer amusements to "selfless labor in the name of the prosperity of their country." The hierarchy of "vexing problems" for the young Japanese is this: first place is occupied by studies, second by affairs and work, and third by the relationship with friends, financial issues, health and family. And only about four percent of the youth think about political problems.

The cardinal changes in the awareness of the young did not occur suddenly, but were rather prepared by the whole socio-economic and political development of Japan in the postwar period. The process of democratization at the end of the 1940s and the 1950s undermined trust in the institutions and political organs of the bourgeois state and affected the faith in the divinity of



the emperor, unshakable for "traditional" Japan, as well as discredited many political figures. This facilitated the formation of a critical view of society and state and the level of democracy in the country among the young, which led by the beginning of the 1970s to the widespread dissemination of dissatisfaction among the younger generation of Japanese. This did not go unnoticed by the ruling circles. The appropriations for military industry were reduced, which made it possible to direct additional financial resources for the preferential development of light industry and the services sphere. Ideas of "social equality in a society of mass consumption" became the ideological basis of the new policy. Under conditions of the rapid development of the economy, which was accompanied by a rise in the welfare of the people, changes inevitably occurred in the vital needs of the Japanese, and first and foremost the younger generation, whose world view has only begun to take shape.

An aspiration for material prosperity prevailed in the consciousness of the young Japanese until the middle of the 1970s, but by the beginning of the 1980s the desire to make a career was gradually beginning to be displaced with an orientation toward "a rich spiritual life." The Japanese youth are thus beginning to be guided by "qualitative" rather than "quantitative" criteria in the choice of their life's values. There are clear indicators of this process—for example, those that follow as the result of a rise in welfare through the attempts of the workers, including the young, to win increases in free time. The dissatisfaction of young specialists with the non-creative nature of work is an exceedingly typical trait. In the course of one poll, for example, just 19 percent of the graduates of the higher educational institutions affirmed that their work corresponds to their qualifications, while the rest expressed dissatisfaction with their labor and declared that they felt themselves to be "a small spoke in a big wheel."

It is also essential to take into account the changes in the social composition of contemporary Japanese youth. I will cite a few figures. A quarter of the young Japanese are connected with the machining industry, while the rest are employed in trade and the services sphere (52 percent) among others. By the beginning of the 1980s more than a third of young men and women had higher education. The most militant and ideologically dogged arm of the young—the working class—comprises just one sixth of it. One consequence of this is the relative homogeneity of views of the principal mass of the upcoming generation—views engendered by the socio-political situation in the country.

Both the young and the adult Japanese that I had occasion to talk with were united in the opinion that the youth are not interested in politics, or else in the best case "passively" criticize contemporary society. An activist of the student council of Waseda University was more candid: "We are interested only in what is reflected

in our pocket or encroaches on our immediate interests. As for the youth movement, it is limited to participating in strikes for the majority."

The passivity of the young troubles more than the leftists alone. It is also eliciting apprehension among the broad public as well. The hedonistic tendencies in the youth environment could entail serious consequences. Won't Japan lose one of the chief factors of its economic might—the well-defined organization and culture of labor—in the near future? Similar apprehensions are also eliciting an equivocal attitude toward "youth policy" in the ruling party as well. On the one hand, the powers that be are trying to divert the youth from serious problems, and on the other, they are striving to cultivate the young as the bearers of the traditional Japanese way of life. But taking the channel of inevitable internationalization therein, the new generation should be open, should "turn to face" the outside world. The goal of this policy, unobtrusively affirming Japanese values everywhere, is to win the trust of peoples and take the best from their lives and use it in the interests of Japan. "Openness to the outside" is widely propagated by the mass media. Interest in travel is inculcated. More and more young Japanese are being sent abroad on holiday or on vacation, it has become a sort of hobby. The diversions of the young—fashion, music, sports—are becoming international.

One practical action is the creation and widespread propagation of the so-called "Peace Corps," a Japanese volunteer organization for collaboration with foreign countries. Its members—young Japanese 22-35 years old—work in the developing countries of Asia, Africa, Latin America and the Pacific region. The principal aim of their activity is to help those countries on a long-term basis. They are also called upon to propagate the image of contemporary Japan. The volunteers work in such areas as agriculture, fishing, civil construction, the services sphere or education. Volunteers are active in 38 countries of the world, and over 6,500 people have now taken part in similar activity. The activeness of the youth is simultaneously being cultivated and directed into a needed channel thereby.

*Kokusayka*—"internationalization"—is an equivocal phenomenon in general. On the one hand, it is an attempt to adapt oneself to the new conditions in the world on the threshold of the 21st century, but on the other hand, it evokes fears of the loss of traditionality, first and foremost due to social and moral problems that arise. The economic restructuring that is underway in Japan today is undoubtedly having a most powerful influence on the social, psychological and moral spheres, and this is far from always transpiring painlessly. The overwhelming portion of the Japanese youth, for example (91 percent), is dissatisfied with the fact that, in their opinion, society has insufficient concern for the old. The ruling classes are trying to resolve this problem in part by propagating a return to traditions, which include respect for the parents and the necessity of maintaining them in their old age. But the rehabilitation

of traditional Japanese values often turns into an attempt by the ruling circles to resurrect militarism and chauvinism. Despite these attempts, interest among the youth is growing in national culture and art, and a gravitation toward such universal values of mankind as love and trust in people is being felt more and more acutely.

I write about Japan and I think that our youth and the Japanese youth have so many similar concerns! It is no accident that we easily find a common language, although our way of life and thinking is far from the Japanese. The little girl Syujuko that I met in Kobe wrote in a letter that "Before I met a Soviet youth, it seemed to me that we would have great difficulties in mutual understanding. But it turned out that that is not so at all if both parties are genuine and open." The point is perhaps also that interchange is simpler in general for the young by virtue of psychological, age and other traits. One thing is clear—we should know each other: we have to live and collaborate. What neighbor will today's adolescent meet, what will the "Japanese of the 21st century" be like? It can scarcely be predicted precisely, but it is essential to ponder the fact that the future of Japan will be resolved by its youth of today.

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### **Soviet-Kuwait Cultural Ties, Visits Viewed**

*Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 2, Feb 89 pp 48-49*

[Article by V. Klyuchnikov: "USSR-Kuwait: Enriching Each Others' Cultures"]

[Text] Sheika Hessa as-Sabah, a niece of Emir of Kuwait Jaber as-Sabah, and daughter of the former Emir Salem as-Sabah, niece of the prime minister, natural sister of the minister of internal affairs, sister-in-law of the minister of foreign affairs... visited our country. Today these titles of the sheika are well known to every resident of Kuwait—both indigenous and foreign. Here she was called differently, "the Princess from Kuwait," as the sheika is officially named in the documents from the USSR Ministry of Culture welcoming her, in the orders for the Intourist hotels, in the tours of the guide service bureaus of Moscow, Tashkent, Bukhara and Samarkand—in short, everywhere the route lay for the familiarization trip of the Sheika Hessa.

A modest and, it seemed to many who met her, shy woman entered the airport building at Sheremetyevo. A kindly face. A cordial smile. Refined manners. Excellent English.

"Director Dar al-Asar al-Islamiya—Museum of Artifacts of Islamic Art—Sheika Hessa as-Sabah," the extraordinary and plenipotentiary ambassador of Kuwait to the Soviet Union, Abdul Mokhsin ad-Duej, introduced the lofty guest, not without pride. The Sheika Hessa, out of

all her titles, is proudest of all of this one—"museum director." And at that time, during the meeting of the sheika at Sheremetyevo, I recalled the words she had spoken at one time: "For me, being the director of the museum of Islamic artifacts does not mean being simply an administrator and keeper of the one 'family collection' of its type. This is for me the work of a researcher dedicating her life to gathering and studying the works of Islamic art and preserving them for coming generations."

In 1983 Sheika Hessa and her spouse, Sheik Naser, who had laid the foundation for this surprising collection, resolved to pass it along without compensation to the state and to make it an indispensable part of the Kuwait National Museum.

The "private collection of the as-Sababs," numbering in the tens of thousands of most unique specimens of Muslim culture and costing hundreds of millions of dollars, can rightly be considered the peoples' collection. "The doors of our museum are open to all," says Sheika Hessa, "from the venerable scholar to the researcher just beginning to study the ancient but not aged Islamic art, to all who have a genuine interest in the marvelous creations of our ancestors."

Sheika Hessa as-Sabah did not come to the Soviet Union as a member of the ruling family or for the idle contemplation of our life. She came to work. She came as a scholar and researcher for the purpose of enriching her knowledge in the realm of Muslim culture, to see for herself the immortal creations of the Islamic masters that are preserved in the multitude of museums in our country. She visited the Hermitage in Leningrad, where over 100 exhibits were selected for display by this most well-known museum in Kuwait in 1990. This year, in accordance with an agreement reached with the administration of the Hermitage, the reciprocal exhibit "Dar al-Asar al-Islamiya" will take place in our country.

Our guest viewed outstanding artifacts of Islamic architecture in Leningrad, Samarkand and Bukhara, visited enterprises in the applied decorative arts and the creative workshops of well-known Uzbek artists and miniaturists, became familiarized with the ancient manuscripts of the library of the Oriental Studies Institute of the UzSSR Academy of Sciences and visited the grave of the Imam al-Bukhari and the Mir-e Arab Muslim college. Judging from her comments, she liked practically everything here that she was able to see over such a short period of time in the Soviet Union. It must be stated honestly that the sheika was liked by all who had the opportunity to accompany her through the museum halls and hear her elucidations regarding the merits and derivations of the most rare specimens of Central Asian, Persian and Muslim-Arab culture.

During those times I often pondered how it is perhaps not always economic and political relations constructed on a mutually advantageous basis that help peoples genuinely to understand each other to the full if there is

not a genuinely vested interest between them in exchange in the realm of culture, science and art. The sheika came to the USSR so as to familiarize herself with the Muslim artifacts that exist here and to understand the roots of Islamic culture more deeply. But after all, those roots nourish us as well! Traces of the influence of Muslim art are easy to see not only in the places where Islam has traditionally spread, not only on the territory of Central Asia and Azerbaijan, but also in the Volga region, Siberia, Central Russia and even Moscow itself. These traces can be discerned in many historical artifacts of our Motherland if we look at them, naturally, in a truly scholarly fashion and not with a prejudiced view.

And again the airport hall at Sheremetyevo. This time we were accompanying Sheika Hessa on her way home. I knew that our guest was very tired. Before her departure she had been simply "tormented by correspondents." And nonetheless I could not refrain from asking the sheika some last questions. The last on Soviet soil.

"What are the brightest and most memorable impressions of your trip that you will carry home with you?"

"It is truly difficult for me to single anything out. Everything was so wonderful that I will recall each day of my visit here. But probably the happiest were those hours that I spent in the rooms of the Hermitage and in the library in Tashkent. I will long remember your remarkable scholars, especially Doctor Piotrovskiy, Doctor Ivanov, Professor Naumkin, UzSSR Academy of Sciences Vice President Pugachenkova and Professor Karimov. I saw so many famous Arab scholars at the meeting with the Oriental-studies scholars in Moscow that I was a little confused. I even admitted to them that I should not give a lecture to them. On the contrary, I should have sat in their place and admired their enormous knowledge of the history, culture and art of the Arab Orient."

"Was there anything you didn't like during your trip?"

"Honestly speaking, just one thing. Implausible legends regarding the fact that in the Middle Ages the high minarets were used for executing people and that the Muslims supposedly threw unfaithful wives to the ground from them are unfortunately still in circulation here. These fables, in my opinion, could only have been conjured up by unfaithful husbands, they have nothing in common with Islam and, I think, they are not worth repeating."

"Would you like to visit the Soviet Union again, and especially Central Asia?"

"Unquestionably. But I fear that it will be very difficult for me to do so now. You yourselves told me in Samarkand an ancient superstition that everyone who wants to return here should without fail drink a swallow of water from Zeravshan. And we were unable to do that. I am joking, of course. Seriously, I hope to come to the USSR with the exhibition from my museum in 1990. What is more, I would like to believe that in that same year

'Central Asia itself will come visit us.' I have in mind the fact that during my trip, Ambassador Mokhsin ad-Dueyy and I had the idea of organizing an 'Uzbekistan Week' in Kuwait. Then a 'Kuwait Week' would be possible in Tashkent. But these are still just plans, you understand. God willing, they will take on actual outlines in the near future."

"Tell me, did you see everything you wanted to here? Or did something get left out?"

"Unfortunately, I was unable to see one desired 'exhibit.' I have in mind snow. I very much wanted to walk on the snow-covered streets of Moscow. But I am not complaining to anyone, since, first of all, I myself am to blame. I shouldn't have brought such warm weather from Kuwait!"

"And second?"

"And second, I liked your golden autumn very much. It granted me an excellent opportunity to visit the amazing Moscow gardens and parks and to wander streets covered with yellow and red maple leaves in abundance. And how I love such walks!"

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### Selected Articles from AZIYA I AFRIKA SEGODNYA No 3, Mar 89

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# English Summaries of Articles

An interview with Anatoli Gromyko, Director of the Institute of Africa under the USSR Academy of Sciences, Corresponding Member of this Academy, opens the March issue of *Asia and Africa Today*. Anatoli Gromyko said that over the recent years the USSR's foreign and domestic policies have undergone tangible changes. This could not but influence its relations in one of the priority directions of the Soviet foreign policy. Today the Soviet Union makes great efforts to liquidate regional conflicts and local wars in the Third World. The interview answers the questions on the achievements in settling this problem. The USSR is ready to take upon itself commitments in order to give assistance to developing countries. For a long time Soviet foreign policy has had a pronounced slant toward ideology; now human, rather than class problems, have gained priority. An. Gromyko stressed that this means not a rejection but rehabilitation of the genuine values of scientific socialism in a new basis. Scientific socialism has always

warned against the danger of opposing class problems and those concerning the whole of humanity.

Regional conflicts have been attracting great attention of late, being the most dangerous sources of anxiety for the peoples, an essential factor which has for a long time been aggravating the prospects of a lasting peace and security on Earth. How do these conflicts affect Soviet-US relations? The answer is given in the article by Doctor of History V. Kremenyuk who considers it wrong to look upon regional conflicts as zones of rivalry between the US and the USSR, a view that has established itself in the Western scholarly circles but is proved groundless today. The rivalry between the USSR and the US in various areas of the world, the author emphasizes, would undermine rather than strengthen their political opportunities, their prestige and authority. Moreover, the involvement into conflicts on the side of local political and social forces, ultimately starts running counter to the interests of each power; it may lead to an armed conflict and become a cause of a world-wide crisis. The author deems it more logical, in the framework of the new political thinking, to raise the question of a search for realistic ways toward the earliest settlement of these conflicts, and the creation of a political base and relevant mechanisms working toward this end.

"Why is the 'Peace Action' Delayed?" is the title of the article on Afghanistan by Doctor of Economics A. Davydov. "Peace Action" is the name of the programme of extraordinary aid, humanitarian and economic, elaborated by the UN agencies. Afghanistan, no doubt, badly needs this aid after the war that lasted for almost a decade. The UN was supposed to begin rendering this aid immediately after the Geneva accords were signed. But the year 1988 has elapsed and the assistance, promised by the world community, remains a pie in the sky. The author of the article discloses the causes of non-fulfillment of the economic tasks, taken by the agencies on themselves. He emphasizes that it is only the USSR and other socialist countries that continue giving economic aid to the Republic of Afghanistan. The signing on September 1988 of the Longterm Programme for Economic, Technological and Trade Cooperation between the USSR and RA for the period up to 2000, is another evidence of stability and progress of Soviet-Afghan economic relations. Meanwhile the USSR has made the greatest contribution to the programme of economic and humanitarian aid to Afghanistan—400,000 rubles, equalling about \$600 million, for the realisation of the programme.

Candidate of Economics M. Krupyanko built this article around the problems of Soviet-Japanese trade relations. He writes, in part, that in the 1980s the economic stimuli, which had formerly promoted the development of Soviet-Japanese cooperation, have been exhausted. The rolling back from the previous positions took place, because the Soviet-Japanese trade was affected by all the contradictions of the East-West economic cooperations, its weaknesses and instability. The fact is recognised by both countries, which, the difficulties notwithstanding,



are striving for a constructive dialogue. This is confirmed by the readiness to promote an expansion of further bilateral, mutually advantageous trade and economic relations with the account of economic restructuring in the USSR and structural changes in Japan. This readiness was expressed by both parties during the visit to Japan by E. Shevardnadze, the USSR Foreign Minister.

Doctor of History R. Landa, in his essay "State Apparatus and Bureaucracy in the East," considers the correlation between the problems posed by the existence of officials (who are, according to Lenin, a special stratum placed above the people and specialising in controlling them) and the state apparatus in young African and Asian countries.

Indonesia is often referred to as a country approaching by its main indices the so-called Four Dragons—Hong Kong, Singapore, Taiwan and South Korea, e.g. the newly industrialised Asian states. The essay written by political analyst A. Yuryev and entitled "Indonesia: the Army Keeps the Initiative in its Hands," deals with the country. By now Indonesia has turned from a source of farm produce and raw materials into an agrarian-industrial state. The volume of national per-capita income has placed it among the developing countries with an average level of development. The educational qualification has risen, as so has the population's standard of living. These and other social changes, the author notes, have created prerequisites for the social movement for relevant changes in the political superstructure, for modifying and reforming the regime itself. Several Indonesian periodicals and their authors, political scientists, have been ever more doubting the legality of the "new regime" which came to power in 1966 and is supported by the army. They doubt that the government should be preserved in its present form. A. Yuryev writes that this sentiment has become widely common among the national entrepreneurs, intellectuals and college students.

Candidate of Economics A. Maximov discloses in his article the components of the so-called economic miracle in Taiwan, which occurred, one could say, owing to exclusively favorable—even unique—conditions such as American financial aid of 1949-64, peculiar nature of economic contacts with the West, financial support from the overseas Chinese, etc. The components of the present-day economic mechanism of Taiwan are as follows: progressive and complex development, flexibility and strict control over the utilisation of foreign capital; the directive role of the state which initiates and vigorously supports all the structural economic changes.

India marks the 100th birthday of Sarvepalli Radhakrishnan, an outstanding Indian thinker and statesman, former President of the Republic. In India, the period between September 1988 and September 1989 has been named "The Year of Radhakrishnan." The author of the essay, Doctor of Philosophy A. Litman, presents the life story, ideologic quests and active creative work by Radhakrishnan. He tells the reader

about his stay in India, with scientific purposes, where he had the great honour of being received by the President.

Ladakh, one of the least studied regions of India, is situated in the Himalayas. Historically, the area has been so isolated and difficult of access that it preserved ancient culture rooted in the hoary past. There are elements in Ladakh's culture that have not been studied to this day, though they are of interest to scholars. The legends of Ladakh bespeak some natural calamities and cataclysms, reminding one the legends about Atlantis. Researchers came across facts which may prove the hypothesis of certain similarity of the Asian and American cultures. Some mysterious elements of European culture can be discerned here too.

Nikolai Roerich, the famous Russian artist, scientist and traveller, came across these problems when he visited Ladakh in 1925, during his Central Asian expedition. The author of the essay, the well-known Indologist and writer L. Shaposhnikova, visited Ladakh 55 years later than Roerich. She shares her impressions with the reader, showing that they confirm the conjectures and suppositions of Nikolai Roerich and his son, Yuri Roerich, an outstanding Orientalist.

The article by Doctor of Philology I. Lisevich deals with the publicistic writing of China which has been changing: now it mirrors the new and progressive phenomena which is natural as there are many positive things that should be written about, in China.

Kuwait seems to be discussed by everybody of late. Its wealth, the achievements in the social sphere, urbanisation—all this as a result of tremendous revenues from the oil trade—have been in the focus of attention. In his travel notes journalist V. Filosayev turns to the topic which is usually left untouched: the culture of nomadic life. The problem is said to have lost topicality because of the society's modernisation; however, it retained its import for the people.

Tibetan medicine, the wonderful element of the culture traditional among the Central Asian peoples, has been evoking an unabated interest of the public at large, to say nothing of scientists. At present, many countries including the USSR carry out systematic research in the effective methods of cure, which were known to the Tibetan medics of the past. The article by N. Abayev and N. Bolkhosoyeva deals with the history of studying Tibetan medicine.

Depiction of animals and fantastic creatures has been an inalienable part of the Chinese culture. Stylised Chinese lions, phoenixes and dragons decorate textiles, chinaware, murals and temples. A fantastic creature which is half-sphinx—half-gryphon and symbolises a god-guardian repelling evil spirits, was known as qilin. The author of the article, "Where Are You From, Qilin?"

Candidate of History D. Dubrovskaya answers the question. She considers the synthetic, complex appearance of the creature the result of the merging of myths born by several civilisations.

The issue carries the continuing chapters of Peter Driscoll's novel "The Wilby Conspiracy." Romain Rolland's novel about Ramakrishna has received some readers' acclaim by now.

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### **Africa Institute Director on Policy Toward Developing Countries**

*Moscow AZIYA I AFRIKA SEGODNYA in Russian No 3, Mar 89 pp 2-4*

[Interview by TASS and AZIYA I AFRIKA SEGODNYA correspondents with USSR Academy of Sciences African Institute Director and USSR Academy of Sciences Corresponding Member An. A. Gromyko: "For the Victory of the New Political Thinking"]

[Text] *The principles of new international relations were formulated, methods of solving urgent global problems pointed out and the adherence of our country to the priority of universal values was affirmed in the large-scale peace initiatives of the USSR that were set forth in the speech of M.S. Gorbachev at the UN. They have struck a chord around the world. We offer to the readers an interview with USSR Academy of Sciences Corresponding member and Director of the USSR Academy of Sciences Africa Institute An A. Gromyko by TASS and AZIYA I AFRIKA SEGODNYA correspondents.*

[Correspondents] Marked changes have occurred in recent years in the foreign as well as the domestic policy of our country. Have all of these changes been reflected in the relations of the Soviet Union with the developing countries?

[Gromyko] The world stands at the threshold of the 21st century. It is difficult to predict today what it will be like. But I would like to see that mankind enters the third millennium by throwing onto the scrap heap of history the millions of tons of accumulated weapons and ordnance, getting rid of the threat of nuclear self-annihilation and putting an end to hunger, disease, economic backwardness and poverty.

About four years have passed since the April 1985 Plenum of the CPSU Central Committee. A seemingly short period, just an instant in the many centuries of the history of mankind. But look at how much has already been done to revive the international climate. The restructuring in the domestic and foreign policy of our country and the devising of the concepts of an integral and interconnected world based on the new political thinking have moved the path of mankind away from confrontation toward collaboration. We are only at the

beginning of the path, but the world has already become better, safer and more humane. That is obvious.

The theoretical development of our foreign-policy concepts, although devised overall, has yet to be completed and is continuing with a regard for re-interpreting the whole multitude of processes transpiring in the world today. Testimony to this is the speech of M.S. Gorbachev at the 43rd Session of the UN General Assembly, which not only evaluated the new stage in the development of international relations and designated a set of the most difficult problems facing mankind today, but also devoted considerable attention to a search for ways of solving them as soon as possible. This relates both to problems of the humanization and de-ideologization of international relations and the affirmation of the principle of freedom of choice by every people of their path of development and a recognition of their diversity, and to an evaluation of the world ecological threat. The speech also emphasized that a radical turn away from the principle of super-armament to the principle of reasonable sufficiency and a transition from an economy of arms to an economy of disarmament based on the conversion of military production has been noted as a result of the improvement in Soviet-American relations.

With all the importance of the relations between East and West, on which the arms race and eliminating the nuclear danger depend first and foremost, these relations naturally cannot push into the background the whole diversity of the contemporary world and all of its contradictions. That is namely why the speech of M.S. Gorbachev devoted great attention to the problems of the Third World and their influence on world politics. The question of the necessity of the most rapid possible surmounting of the debt crisis and the internationalization of approaches for solving development problems merits especial attention. As M.S. Gorbachev noted in his speech to the delegates at the 43rd Session of the UN General Assembly, "this is a truly universal problem. The conditions of existence tens of millions of people are in in a number of areas of the Third World are becoming simply dangerous for all of mankind." If we really want to conduct affairs in a humane fashion in the international arena, we should not remain indifferent to the problems of the developing countries. We are called to this not only by a natural feeling of compassion, but also simply by common sense. The difficulties that have descended on the developing countries could turn into a tragedy that will not spare the industrially developed countries either.

The development of relations with the Third World countries is one of the priority directions of the foreign policy of the USSR. Today the Soviet Union is undertaking great efforts to eliminate regional conflicts and local wars in the Third World. Definite progress in this realm now exists. In addition to what has already been done, the Soviet Union is ready to take upon itself concrete obligations to render additional aid to the developing countries. Such aid could be especially significant in implementing steps for a radical disarmament

in the international community. This opportunity should be realized without fail.

The Soviet Union is one of a few developed nations that has fulfilled the UN recommendation to offer no less than 0.7 percent of its GNP to the aid needs of the Third World countries. But perhaps more important is the question of the effectiveness and pattern of that aid. Soviet economic assistance is closely bound to the resolution of the most urgent tasks of the developing countries, whose indebtedness to the Soviet Union is nonetheless not great. The USSR offers aid to those states on exclusively preferential terms, and deliveries of their traditional exports often go to pay off the debts. The Soviet Union wrote off or refinanced indebtedness of African countries in the amount of 2.4 billion dollars in 1981-85 alone.

The USSR calls upon the international community to discard everything that is impeding mankind from entering the path of broad international collaboration so as to avert the catastrophe threatening the Third World.

[Correspondents] An ideological thrust has long been clearly expressed in the Soviet policy of relations among nations. Today universal rather than class problems have become the priority ones. How do you explain such changes in the approach to the international question? Doesn't that signify the rejection of prior values?

[Gromyko] Of course not. I would say that the de-ideologization of relations among nations, the fundamental principle of which has become the new political thinking, is not a rejection, but rather a resurrection of the true values of scientific socialism on a new foundation, a socialism which always warned of the danger of opposing universal values with class ones.

The new political thinking develops the class approach apropos of the historical situation. The appearance of the fateful line that we have all crossed, both communists and capitalists and people who have never thought about their party or class affiliation, where we risk perishing has become the characteristic feature of it. It is namely the super-unusual nature of the situation that we are encountering that dictates the necessity of solutions that go beyond the bounds of customary notions. And it is appropriate to recall in this regard that V.I. Lenin warned us against treating Marxism as a dogma and emphasized the necessity of its creative development. The new political thinking in foreign and domestic policy is none other than the creative development of the Leninist legacy, without which we risk transforming an ingenious theory into a fossilized dogma.

Its essence consists of the fact that in resolving complex socio-political, economic and other problems, we have learned to see the person in each other. We all live on one planet. However we may differ in our views of good and justice, on the path leading to the freedom, equality and happiness of people, we cannot thrust upon them our own beliefs with the nuclear "sword," if only because it threatens all of mankind and, in descending, destroys all.

The new political thinking should be constructed in the practice of international relations on the affirmation of the principles of a reasonable and, I would say, human approach to the realities of the nuclear-space era, and not a mindless belief in the eternal nature of a system of stereotypes that took shape in the last century. In transferring ideology into the sphere of relations among nations, we risk turning those relations into a derivative of ideology that gives up the highest interests of mankind, chief among which is its survival.

The old political thinking traces its roots in large part to the ideological concepts of the past, when the problems that must be solved today for mankind to be able to survive and ascend to a new level of social evolution simply did not exist. The new political thinking is aimed at uncovering the most important concrete problems of modern times and solutions for them.

[Correspondents] The long-awaited thaw in Soviet-American relations has finally ensued—the INF Treaty has been signed, active political and economic ties are being arranged. There exists a certain apprehension in Third World countries that the convergence of the USSR and the United States affects the interests of the developing nations to this or that extent. What can you say on that score?

[Gromyko] In answering that question, I would like to emphasize once again that without the normalization of Soviet-American relations, we will be unable to resolve the whole most difficult set of problems that face mankind. The problem of the survival of mankind, the problem of eliminating the threat of nuclear war and, of course, the future of the Third World countries all depend directly on how relations develop between the USSR and the United States.

The conclusion of the Soviet-American agreements to reduce nuclear arms are first and foremost giving the developing countries great confidence in tomorrow. The elimination of Soviet and American intermediate- and short-range missiles in Europe, reductions in inventories of nuclear weapons by 50 percent, the strengthening of the ABM Treaty and the reaching of agreements to ban nuclear testing would reinforce international security to a decisive extent. The more so as those measures, as is well known, flow out of the proposals for the complete elimination of nuclear weapons by the end of the 20th century that were formulated in the Statement of CPSU Central Committee General Secretary M.S. Gorbachev of 15 Jan 86. It is especially important to note that fundamental agreement has essentially been reached between Soviet and American leaders at the highest level on this issue.

The progress that has been noted in freeing the planet Earth of nuclear weapons is opening up broad possibilities for international collaboration for the purpose of development. I am convinced that Soviet-American collaboration is possible in Africa as well. The positive role that was played by the United States and the USSR in



concluding certain agreements for a peaceful settlement in southwestern Africa are testimony to this.

In December of 1987, literally on the eve of the Soviet-American summit meeting, and in November of 1988 the Africa Institute of the USSR Academy of Sciences held two meetings in Moscow and Washington with leading American Africa scholars that were devoted to the prospects for collaboration between the USSR and the United States in the cause of aiding Africa. Our colleagues from the African countries were also invited to the latter meeting, which facilitated a more constructive dialogue on the issues discussed at it.

Today we have set about developing, within the framework of the "Soviet-American Collaboration for Africa" project, scientifically substantiated and concrete proposals for rendering assistance to the African countries in solving their most acute economic, social and some political problems. This project is being called upon to make a definite contribution to the struggle of the world community for the triumph of the new political thinking in approaching the principal problems of modern times, for a turn from confrontation toward cooperation in the international arena and for the resolution of the difficult problems facing the African countries.

The arrangement of collaboration between the USSR and the United States in the realm of the non-proliferation of nuclear weapons, the creation of a nuclear-free zone in Africa, the surmounting of economic backwardness, the protection of the environment and the struggle against hunger and disease meets the interests of both Asian and African countries.

Apprehensions are actually arising among some developing countries that the convergence of the USSR and the United States will affect their political and economic interests to this or that extent, that the discussion almost concerns the establishment of some "condominium of the great powers."

I cannot agree with such evaluations. The USSR and the United States have a special responsibility for the fate of the world. But this in no way signifies that the USSR and the United States have the right to tell the peoples inhabiting our planet how they should arrange their lives, what they should dream about or what paths they should take to solve the problems they face. At the same time, it is time to realize that the scale that the degradation of the quality of life of millions of people in the world has taken on is introducing no less instability and uncertainty in world politics than the rivalry between East and West. Everyone—both the economically developed and the developing countries—gains from improvements in Soviet-American relations.

[Correspondents] The idea of "disarmament for development" is exceedingly popular today. How realistic is its incarnation if the governments of the Western powers adhere to policies from the position of force as before?

[Gromyko] The philosophy of the formation of a safe world in the nuclear-missile era is of an all-encompassing nature, and is in no way limited to the consideration of military aspects of the problem of security alone. The person cannot and should not remain apathetic to the woes of those nearby. In reducing and ultimately bringing to naught the threat of universal destruction in the flames of thermonuclear catastrophe, all the people on Earth could devote greater attention to questions of surmounting the socio-economic backwardness of the developing nations. That is namely the essence of the principle of disarmament for development being defended by the Soviet Union.

The experience of history shows that even carefully planned development programs prove to be difficult to execute by virtue of the limited nature of the resources that are actually directed toward their implementation. According to the calculations of experts of the West German F. Ebert Fund, the conversion to development needs of just one percent of the spending on military aims could total 3.5-4 billion dollars. According to the data of UN specialists, capital spending on the scale of roughly 190 million dollars could provide a definite impetus to the solution of the principal problems facing, for example, Africa. A seemingly colossal sum. But it is, after all, entirely commensurate with the annual spending of a country such as the United States on arms—over 300 billion dollars.

The military spending of the developing countries is also excessive. Proceeding from the imperial policy of "divide and conquer," advocates of politics from the position of force are encouraging armed conflicts in the developing nations and among them. They are openly or in veiled fashion supporting those leaders of the Third World that are betting on militarism.

We will be able to utilize the enormous funds that are going for defense needs today for the purpose of development if the new political thinking—based on the non-acceptance of war as a means of achieving political, economic, ideological or other aims—becomes the base on which the foreign policy of countries and governments is constructed.

[Correspondents] The foreign indebtedness of the developing nations is growing inexorably. The astronomical levels of it brings to mind the idea of the impossibility of solving this problem using the manpower of the Third World countries themselves. What is the way out of this situation?

[Gromyko] The debt crisis in the Third World has become one of the main factors undermining the process of internal accumulation and growth in the developing countries. It is leading to a strengthening of social tensions and the deepening of political instability. Foreign debt has become an unbearable burden that is reducing to nil the many efforts of the developing countries aimed at reviving their economies. The sum total of foreign debt of the developing countries in 1988

exceeded a trillion dollars, that is, it has grown by 40 percent over just two years. The payment of even the interest on it has become difficult for the majority of the countries of the Third World. They have fallen into a debt noose that is drawing tighter and tighter, since their new economic programs, reforms and transformations are only increasing the total debt. The Third World countries cannot get themselves out of the throes of the debt crisis without the aid of the economically developed countries and international financial organs. It is obvious that if the international community does not adopt the most radical measures, the debt noose is threatening to smother even the modest dreams of the Africans for economic and, consequently, social development.

The way out of the labyrinth of foreign debt lies on the path of creating a system of international economic security and a restructuring of international economic relations. The following steps are possible here: limitation or prolonged deferral of payments on foreign indebtedness depending on the indicators of economic development, democratization of international trade and elimination of protectionist barriers, rejection of the imposition of additional interest in granting deferrals on debt payments, reductions in interest rates for bank credit, stabilization of currency exchange rates, and provision of government support for market mechanisms to settle the indebtedness of the Third World, including the creation of a specialized international institution for buying up debts at a discount. As for the least developed countries of the Third World, the USSR, as M.S. Gorbachev has declared, is ready to establish an additional moratorium of up to 100 years on the payment of their indebtedness and, in a whole series of cases, to write them off entirely.

[Correspondents] What are the prospects for the process of settling regional conflicts that has begun so successfully?

[Gromyko] As international-relations practice shows, there is not a single conflict situation that can be normalized in military fashion, be it the Iran-Iraq war or the conflicts in the south or north of Africa. The impossibility of resolving disputed issues through the force of arms has been deemed the military doctrine of the Warsaw Pact member states. Political wisdom is unfortunately sometimes replaced with the arrogance of force in a number of both developed and developing countries. The germs of militarism are extremely dangerous for the political structure of the young states. The idea that all problems can be solved through the use of muscle, striking with the military fist, is exceedingly primitive. And that is the danger. It can seem attractive, after all, namely by virtue of its simplicity, as has happened in Baghdad and Teheran. A multitude of "festering" conflicts exists, for example the low-intensity war between Israel and the Arab states, which could degenerate into serious regional conflicts if existing problems are not resolved by peaceful means.

Today we have now accumulated limited but positive experience in the matter of settling regional conflicts. One of the bloodiest regional conflicts and one that cost hundreds of thousands of human lives, the Iran-Iraq war, was halted through the efforts of the international community. There are also definite shifts in the settlement of conflicts in Southwest Africa and Indochina.

It is extremely difficult, however, to put an end to regional conflicts without eliminating the internal and external causes giving rise to them. Here we could single out both the military and political instability in the Third World countries and the instability of their sociopolitical structures, as well as the incomplete nature of the processes of national consolidation, the unsolid nature of state power etc.

It must also be stated that realism in the achievement of peace within the bounds of this or that region also assumes a regard for the legitimate global security interests of the leading world powers, which could and should play an active role in the settlement of regional conflicts. But it should be emphasized that the countries of the region themselves are entirely able to take the initiative for devising compromise solutions that envisage and reconcile the interests of the different states.

I would of course like to look to the future with optimism and see that the world crosses the threshold of the 20th century having discarded the bloody burden of regional conflicts and local wars. We have already achieved some success in this direction, but it is too early to be content, we are just at the beginning of the road, and we will have to proceed along it for a long time. And good will, political realism and a readiness for compromise will be needed among all interested parties in order to make this road shorter.

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### Regional Conflicts in U.S.-Soviet Relations

Moscow *AZIYA I AFRIKA SEGODNYA* in Russian  
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[Article by Doctor of Historical Sciences V. Kremenyuk: "Soviet-American Relations and Regional Conflicts"]

[Text] Regional conflicts are attracting much attention today. They are considered to be one of the most dangerous sources of alarm and unease for peoples and a material factor that has made the prospects for achieving a lasting and reliable peace on our planet more gloomy for a long time. And now, therefore, the first steps on the path of settling them have given rise to no small hopes among the international community for the smoothing over of existing contradictions and differences by peaceful, political means, and they are perceived as serious shifts in reviving the climate in the world arena and in reinforcing universal security and the realization of the principles of international law and justice.

Although it seems premature to speak at this stage of some fundamental and cardinal changes in the matter of settling regional conflicts, the encouraging experience of the joint diplomatic efforts of the Soviet Union and the United States in breaking up the conflict situations surrounding Afghanistan and Southwest Africa testify to the fact that much in this realm depends on the state of Soviet-American relations. And they, in the face of all of the positive changes, are still burdened with certain contradictions, including in approaches to the problem of regional conflicts.

### Spheres of Rivalry

The view of regional conflicts as a sphere of rivalry between the USSR and the United States became established in academic circles in the West in past years. It was the trans-oceanic political scientists that displayed the initiative in devising and spreading namely this view. In the 1950s, in connection with the appearance of the first intercontinental ballistic missiles in the Soviet Union, the American strategy of "massive retaliation" proved to be bankrupt. It became clear that an attack on our country was connected with the risk of a reciprocal strike on U.S. territory for the Washington administration. This forced the American strategists to seek out new and roundabout ways of continuing the former policy of "the restraint and rollback of communism."

American researchers T. Schelling and M. Taylor proposed in a number of their works an expansion and extrapolation of the policy of confrontation with the Soviet Union from the universal and central "natural habitat" to "peripheral" and "restricted" regions—in short, its transfer to the regional level. Official circles in Washington liked the new idea, the more so as it was conceived within the channel of their chief foreign-policy principles on the plane of confrontation with the USSR across the whole spectrum of disputed problems and contradictions. The discussion concerned, under conditions where the threat of a direct attack on the Soviet Union had ceased to work, "breaking down" the sphere of confrontation into individual sections that were quite clearly delineated at the time: Europe, the Far East (Korea), Southeast Asia, the Near East and Africa. It was also proposed to coordinate the degree of real or potential confrontation with the level and nature of the possible combat actions and other forms and methods of political and military pressure.

The Kennedy administration, which developed and adopted the doctrine of "flexible response," was engaged in the conceptual formulation of such a strategy. Regional conflicts became a constituent element of Soviet-American strategic confrontation. Events in the zone of national liberation played no small role in this. The fundamentally different political and ideological approaches of both powers to the broadly developing national-liberation movement, as a rule, served as the point of departure for strengthening of the confrontation between them every time the issue was popular uprisings in these or those countries or regions of the

Third World. Each instance of such confrontation was directly linked with considerations of prestige, hopes for the acquisition of new allies or friendly regimes or illusory calculations for the transformation of nationalistic potential of the liberation revolutions into an active class grouping for the competition of the two world systems.

Over the period of the 1950s and 1960s the United States piled up a whole system of treaties and agreements that created a legal and political basis for their involvement in regional conflicts. Over the course of the subsequent decade, although lesser in the scale and nature of the obligations, a series of agreements and treaties on friendship and collaboration was concluded with the Soviet Union. The tendency toward the creation of "special-purpose" units grew stronger in the build-up of the armed forces of both great powers. Issues of some regional conflicts (Vietnam, the Near East, Cuba) occupied a priority position in the mutual relations of the USSR and the United States in the international arena.

It cannot be said that both powers did not take into account both the necessity of settling the conflicts that existed and the danger of their possible escalation and getting out of control. After the defeat of the United States in Vietnam, a period of temporary detente ensued. Encouraging symptoms appeared in relations between Washington and Moscow, and agreements were even signed regarding the necessity of displaying circumspection and caution during periods of worsening tensions in these or those "hot spots" on the planet and not crossing certain bounds when aiding one's own friends and allies. An understanding arose that, being a sphere of acute confrontation, regional conflicts could impel the great powers to actions rife with the danger of a large-scale war. This is testified to by the experience in the unleashing of World War I (the worsening climate in the Balkans) and a sober evaluation of the lessons of the Caribbean crisis of 1962, the Arab-Israeli wars of 1967 and 1973 and a regard for the processes transpiring in the young independent nations, where the pursuit of socio-economic transformations and the consolidation of national regimes were frequently accompanied not by a stabilization of the internal situation, but by a worsening of it due to the actions of foreign and domestic reactionaries, including as the result of provoking local wars.

The way out suggests itself. The rivalry between the United States and the USSR in various regions of the planet is decreasing rather than increasing their political opportunities and undermining their prestige and reputation. Involvement in conflicts on the side of local political and social forces moreover ultimately goes against the national interests of both powers and can lead to their armed conflict, as well as become a source of a major international crisis fraught with unforeseeable consequences for universal peace.



### The Restless Periphery

It would be an oversimplification, however, to consider the problems of regional conflicts just through the prism of Soviet-American relations. Processes have been transpiring in the Third World since the beginning that are subject to the influence of events occurring outside it to this or that extent but to a certain degree completely isolated from them. In the face of all the correctness of assertions that the universal crisis of capitalism has led to marked changes in the fate of the former colonies, it is essential to understand that an intrinsic political and social environment has always existed and does exist there that advances acute questions able to cause serious conflicts into the sphere of social relations.

The hunger, poverty, disease and the despair of the hapless, centuries-old prejudices, the strengthening social contrasts and the diminishing of human rights—all of these and many other phenomena of social life in the developing countries naturally cannot fail to be taken into account. They help to maintain a high level of violence, engender among the ruling circles the sentiment that a policy of profound fundamental transformations is without promise and facilitate the appearance of various types of adventurists in the political arena trafficking either in progressive socialist ideas or in backward obscurantist views. The desire to win personal popularity among the people as quickly as possible and win widespread fame around the world pushes individual leaders of the developing countries toward the construction of expensive and prestigious facilities and the creation and equipping of large armies, which places a heavy burden on the weak national economy and aggravates the internal instability of the regimes even more.

The instability of the overall situation in the Third World is obvious. And even though a number of countries in that part of the world are making not entirely unsuccessful attempts to reach the level of the industrial states, their overall indebtedness to the developed capitalist powers, relatively low levels of per-capita income, remaining ethnic and religious differences and some other negative aspects of life do not provide grounds to consider the socio-political state of the Third World as stable or without conflicts.

The lack of confidence in tomorrow is made even stronger by interventionist inclinations among the ruling circles of the imperialist nations, including the United States. The aspiration to avert social upheavals undesirable for themselves has spilled over, along with rendering direct economic and military aid, into a policy of armed intervention in the internal affairs of other countries for the purpose of supporting "stable" friends and allies.

The conflict potential in the least-developed regions of the Third World is thus becoming the most unstable and unpredictable link in the whole mechanism of international relations oriented toward competition between the two world systems. On the one hand, it is difficult

here to count on a prolonged and lasting social stabilization in connection with the profound and acute problems that exist; on the other, the inability to settle conflict situations is becoming a drag on possible socio-economic transformations and a source of political alarm in the world, which is exacerbating mistrust and suspicion in relations between the two world systems.

The unsettled nature of the periphery is seemingly taking vengeance on those who try to play on the local contradictions and foist their will on the former colonies. The experience of the American defeat in Indochina showed convincingly that it is difficult for even a very strong power in a military sense to count on full political success if it intends to suppress its adversary by military means and dictate its own will to him. The further evolution of American policy led to the adoption of the principles of "state terrorism" during the Reagan administration, where the military force of the great power was considered a means of inflicting "quick strikes" against knowingly weak and unprepared adversaries (the occupation of Grenada, the bombing of Libya).

A more profound evaluation of the presence of Soviet troops in Afghanistan is also important in this regard. It is obvious even now that even if such goals as establishing control in the country, thrusting our own way of life and ideas and changing the social order were lacking, an insufficient regard for the nationalistic and religious sentiments and beliefs, the possibilities for aiding the internal opposition on the part of external forces and the ignoring of the overall international climate could lead to a political and military dead end, the bleeding of the economy, a loss of prestige and the consignment to oblivion of the principles of our own foreign policy.

### Searches for a Way Out

The situation that took shape in Soviet-American relations in the middle of the 1980s could in no way be considered satisfactory. They actually got stuck at a point close to the Cold War. Pessimism on the score of the possibility of changing anything in the matter of settling regional conflicts was growing stronger and stronger in political and public circles at the same time. The forecasts of the leading Western specialists for the end of the 1980s and the 1990s in the realm of regional conflicts testify to the fact that their expansion, accompanied by an increasing danger of transition to acute international crises, should be expected.

In order to eliminate the danger of a dead end in the settlement of regional conflicts, different and fundamentally new approaches that broke the extant stereotypes of behavior and dogmas of thought in this realm were required. The speech by U.S. President R. Reagan at the UN in October of 1985 outwardly looked like an attempt to find such an approach. The head of the American administration proposed breaking down the process of breaking down regional conflicts into several levels (or stages) and, beginning with negotiations between the warring sides, advancing further to Soviet-American

dialogue on issues of regional settlement and then developing a set of measures to render aid to the developing countries in surmounting their difficulties. But the proposal was couched in such anti-Soviet terms that it made it outright unacceptable and, correspondingly, not constructive from the point of view of Soviet-American relations and the interests of the developing countries.

The new political thinking—which takes into account such circumstances as the practical impossibility of achieving a military victory under contemporary conditions, since any of the parties in conflict can turn to one of the great powers for aid and obtain it, countering any militarist threat with a suitable military response—points out a sure way toward a breakthrough in the realm of settling regional conflicts. The requisite attention is also devoted to the fact that in a climate of ceaseless conflicts, the gravitation toward extremist political groupings grows stronger as well. In relations among states this has given rise to conflicts of the Iran-Iraq or Somalia-Ethiopia types and has led to a rise in terrorism. Instances of the growing detriment to the economy and nature, world trade and communications have been evaluated in a different light. Finally, one also cannot dismiss the fact that the existing regional conflicts have become sort of “encapsulated,” acquiring something of an immunity to attempts to settle them.

An evaluation of these and other aspects of regional conflicts within the framework of the new political thinking logically poses the question of a search for real and acceptable ways to settle them as quickly as possible. A new approach to the solution of these problems was pointed out in the speech of M.S. Gorbachev at the UN.

The idea of breaking up regional conflicts was reinforced by the development of a whole series of working concepts. First of all, they are the concept of national reconciliation for conflicts at whose foundation lies a schism of the state and society for the hostile groupings. A regard for common interests and a dialogue between the opposing parties aimed at achieving peace, unity and the well-being of the country and its population are envisaged as the point of departure. The policy of national reconciliation is thus a conscious activity aimed at halting bloodshed and seeking all-encompassing and generally acceptable formulas for solving vital and urgent problems.

Second, the idea of breaking up the conflicts is also accompanied by an awareness of the necessity of beginning the most serious and substantive of consultations between the USSR and the United States on issues of regional conflicts. Such contacts are able to have a material effect on the state of them—both positive and negative. Under conditions where the relations between Moscow and Washington were accompanied by growth in mutual mistrust and an inability or reluctance to deal with the legitimate interests of the other side and its friends and allies, it naturally did not facilitate an easing of regional tensions. But after the first summit meetings, which demonstrated a significantly enhanced feeling of

responsibility of both sides for maintaining universal peace and security, an opportunity appeared for directing the positive potential of Soviet-American relations toward the settlement of regional conflicts. Agreements were reached on Afghanistan, actions were coordinated on Southwest Africa and steps toward mutual understanding were undertaken in the Persian Gulf.

The changes in the mutual relations of the Soviet Union and the United States have largely permitted the implementation of the third (in counting, not in significance) task called upon to facilitate the break-up of regional conflicts—making the peacemaking functions of the UN and its general secretary more active. The UN, with the assistance of both powers, played a positive role in the holding of Afghan-Pakistani negotiations and the conclusion of a treaty in Geneva, the achievement of a cease-fire agreement between Iran and Iraq and the stimulation of negotiations on the Cyprus problem. The peacemaking efforts of the UN in regional conflicts could grow with the further collaboration of the great powers. Preventing them could have very great significance in particular.

#### Settling Conflicts: Two Measures

Acknowledging the undoubted shifts in the settlement of regional conflicts over the last year, one at the same time cannot fail to take into account that these are just individual breakthroughs in the solution of way more significant, complex and voluminous problems. Real progress, after all, has effectively not been observed in resolving the conflict in the Near East. The situation in Central America is far from settlement, although the corresponding agreements have been reached there. The situation on the Korean peninsula is not changing. In Kampuchea, notwithstanding clear shifts to the better, no few difficulties still have to be overcome in the cause of settlement. If we look at the broader circle of existing and potential conflicts, especially domestic ones caused by ethnic or religious contradictions, the gigantic scope of the problem and the path that must be traversed for a revival of the climate becomes clear.

The settlement of regional conflicts is not a one-time act after which peace and plenty ensues for many years. Practice shows that this is a complex and prolonged process requiring not only steps of a military and diplomatic nature, but also the eradication of the causes for the conflicts that serve as nourishment for innumerable and often senseless clashes. Tireless efforts by the whole world community are essential to bring the countries of the Third World onto the path of normal and fruitful development. They include direct aid to the poorest and most backward countries, decisive steps to restructure world economic ties, the solution of problems in protecting the environment and the assurance of political and economic human rights.

It cannot fail to be acknowledged that a long-term stabilization of the situation in the Third World largely depends on the possibility of undertaking constructive

efforts as soon as today, to prove in fact that regional conflicts can lend themselves to settlement in the same way as the limitation, reduction and elimination of strategic arms or the surmounting of hostility and confrontation.

Soviet-American relations are able to play a crucial role in this regard. While the problems of a lasting settlement and the solution of economic, social and other problems in the developing countries should become a sphere of application of the efforts of all of mankind, the first steps on this path cannot be undertaken without the most serious and responsible participation of the USSR and the United States. It is true that the extraneous features of the past are still strong here. And today's situation does not allow excessively optimistic forecasts. But the heart of the matter is not in determining the share of optimism or pessimism in the resolution of regional conflicts. There are concrete instances of positive changes that reflect the objective requirements and realities of our mutually dependent and integral world. And this inspires hope that both great powers—the USSR and the United States—will be able to find the means to assist the elimination of seats of regional tensions in the interest of universal peace and security.

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### UN Aid to Afghanistan Delayed

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[Article by Doctor of Economic Sciences A. Davydov: "Afghanistan—Why is 'Operation Peace' Being Delayed?"]

[Text] The Geneva agreements concluded in April of 1988 with the exceedingly constructive mediation of the UN have created a firm international foundation to put an end to the almost ten-year bloodshed and bring a long-awaited peace to Afghan soil. By the time they took effect in May of that same year and in close interconnection with these agreements, the economic organizations of the UN, first and foremost the UN Development Program (UNDP) and the Economic and Social Council (ESC), at the initiative of Secretary General Perez de Cuellar, also prepared plans for extraordinary humanitarian and economic aid to Afghanistan that received the name of "Operation Peace."

This aid was essential first and foremost for the immediate practical realization of one of the five documents that comprise the Geneva agreements, namely the bilateral agreement between the Republic of Afghanistan and the Islamic Republic of Pakistan for the voluntary return of refugees to Afghanistan.

According to prevailing estimates, from three to five million Afghans should return from Pakistan, Iran and other countries in a comparatively short time. The

native places also await another two million so-called displaced persons who, although they did not emigrate abroad, fled from the war to safer places, principally Kabul and other cities.

The mass of returning refugees and displaced persons are in need of concrete material aid, at least at first, for shelter, food, clothing and transport. Economic and technical assistance is then required for the rehabilitation and reconstruction of the national economy of the country, destroyed and depleted by the war. The program of humanitarian and economic aid of the UN to Afghanistan that was finally adopted at the first conference of potential donors that was held in June 1988 at the UN headquarters in New York and approved soon afterward at the 35th Session of the UNDP Managers' Council and the 2nd Session of the ESC proceeds from this. It received full support at the 43rd Session of the UN General Assembly in November of 1988.

The program is reckoned in two stages. The aim of the first stage is the infrastructure of the returning refugees and the paramount rehabilitation of the infrastructure of the country's economy that is essential in this regard. Its duration—18 months—is conditioned by the deadlines that are envisaged in the Geneva agreements for the return of Afghan refugees to the homeland. According to the Geneva documents, the first stage should begin immediately after they take effect—starting in the second half of 1988—and conclude by the end of 1989. The overall spending for the fulfillment of the program for the first stage has been defined as 1.166 billion dollars.

The principal volume of operations in the capital rehabilitation and development of the economy of Afghanistan is planned for the second stage, which is reckoned for three years (1990-93). It is assumed that the repatriation of the refugees and displaced persons will have been completed by the beginning of its implementation and that labor resources will thus have been replenished everywhere. About 840 million dollars are required for the fulfillment of the program for the second stage. Of that, 46 percent will be allotted to the rehabilitation and development of agriculture and irrigation, 30 percent for water supply, health care and education and 22 percent for industry, power engineering, transport and communications.

The immediate connection of the Afghan economy to the Western countries and international organizations that have earlier rendered economic and technical aid to Afghanistan for specific projects in several sectors, but then curtailed it in the first years after the revolution—thereby establishing a de facto economic blockade of the young republic—has been deemed expedient.

Only the Soviet Union and the other socialist countries have continued and expanded their economic assistance to the Republic of Afghanistan, which is in the most difficult of circumstances. The signing of the Long-Term



Program of Economic, Technical and Trade Collaboration Between the USSR and the Republic of Afghanistan for the Period to the Year 2000 on 20 Sep 88 was new and shining testimony to the stability and consistent development of Soviet-Afghan relations. The USSR has at the same time made the largest contribution of all other countries to the UN program of humanitarian and economic aid to Afghanistan. At the second conference to announce the contributions to this program that was held at UN headquarters in New York in October of 1988, the USSR permanent representative to that organization, A.M. Belonogov, declared that the Soviet Union is directing 400 million rubles, which is roughly equal to 600 million dollars, toward the realization of that program.

The Soviet aid within the framework of the UN program will be rendered in the form of deliveries of foodstuffs and industrial goods of primary necessity, medicines and transport equipment, as well as construction and other materials and various equipment for facilities in a number of sectors of the economy, in those amounts on an unreimbursed basis. A portion of these goods and materials will be delivered along the lines of the direct ties of the union republics, oblasts and cities of the USSR with the provinces and cities of the Republic of Afghanistan.

Finally, the USSR is prepared to ensure the free passage across its territory of all freight sent from other countries to Afghanistan under the UN program of humanitarian and economic aid, as well as to transfer the funds received for transit services into the fund to finance this program.

The attempts of Western propaganda to accuse the USSR of deviating from the UN program for aiding Afghanistan are thus completely refuted apart from the enormous aid that it has offered and is offering to it on a bilateral basis, which is determined, as A.M. Belonogov has declared, by the special position of the USSR as a neighbor of Afghanistan. The attempts to accuse the Soviet Union of not consenting to the methods for the practical realization of these programs that have been proposed by the coordinator of the UN aid programs for Afghanistan, Sadruddin Aga Khan, are also groundless. The USSR is in practice proceeding in complete reliance on the principles advanced by Aga Khan of a "symmetry" and "geographical unconditionality" for the granting of aid, which is understood to mean the rendering of this aid to the population of regions controlled both by the government of Afghanistan and by the opposition. As A.M. Belonogov has emphasized, Soviet aid will be offered to the population of all the provinces of Afghanistan.

Sadruddin Aga Khan, in his recent interview with an IZVESTIYA correspondent, had a high regard for the great contribution of the USSR to the international aid for Afghanistan and cited as especially important the fact that the Soviet aid will be placed directly at the disposal

of the UN coordinator, which will make it possible to distribute it among all of the needy provinces of Afghanistan without exception.

At the same time, this interview sounded alarming information on the still incomplete receipt of contributions to the international aid fund for Afghanistan from a number of countries and international organizations. Just 892.4 million dollars had been received by the end of November 1988. That sum includes, aside from the aforementioned contribution of the USSR, the contributions of Japan, Italy, France, England and about another ten nations in the West.

The representative of the United States at the October UN conference to announce the contributions to the Afghanistan aid program declared that, aside from the 16.7 million dollars already allocated, his country intended to grant another 142 million in aid. The United States has, however, postponed this payment for an indeterminate time period under various pretexts.

International financial giants such as the IMF and the World Bank, controlled by the United States but having the status of economic organizations of the UN, are also not rushing to set about aiding Afghanistan. The Republic of Afghanistan, despite enormous difficulties, has never violated the financial obligations it has taken on as a member of those organizations and thus has the right to receive financial assistance from them. By way of example, the IMF alone is supposed to grant about 70 million dollars to Afghanistan in the form of exceedingly preferential credit out of a special fund it created in 1987 for the "structural equalization" of a group of least developed countries.

The year 1988 has already ended and Afghanistan, tormented by war, is still not receiving in any significant volume the international aid promised along the lines of the UN. A legitimate question arises in this regard: is the clear delay in the granting of the full volume of the announced quotas of aid to Afghanistan on the part of the United States and some other Western states a reflection of a policy being pursued intentionally?

It is well known that as early as at a meeting of seven leading capitalist powers in Toronto in 1987, it was advanced as an indispensable condition that the UN aid program for Afghanistan be implemented only after the elimination from the political arena of the current legitimate government and its replacement with a new regime suitable to the West. It is also well known that the leaders of the "seven irreconcilables"—Afghan opposition groups that are entrenched in Pakistan—are invariably insisting on this as well.

The Soviet Union and the other socialist countries are for their part making active diplomatic efforts at all levels, rendering the utmost assistance to the UN secretary general and the corresponding economic organizations of the UN and directly to the coordinator, S. Aga Khan, for the fastest possible realization of the international humanitarian and economic aid to Afghanistan.

The activeness being displayed by the coordinator himself is indisputably considerable. Born in Paris and having spent his whole life in Europe and the United States, Sadruddin Aga Khan nonetheless enjoys a great reputation in the countries of the Middle East, since he belongs to the family of the ancestral spiritual head of the Ismailite Muslims (Nizarites). The title *shahzad* in the Muslim countries, and "prince" in Europe and America, is usually added to his name in this regard.

The resume of Sadruddin Aga Khan is noteworthy for the fact that, being a member of one of the richest families in the world and receiving income from the voluntary contributions of a multitude of adherents to this strain of the Muslim religion, he has for the span of about 30 years held responsible positions in the UN apparatus (including that of UN high commissioner for refugees) operating on a public basis. S. Aga Khan, granted extraordinary authority, is personally subordinate to the UN secretary general.

The reputation of S. Aga Khan has facilitated to no small extent the success of the extremely complex negotiations that he conducted during his repeated trips to the countries neighboring Afghanistan. He came to Moscow several times on working visits as well, where he invariably received a warm welcome: he was received by USSR Minister of Foreign Affairs E.A. Shevardnadze and other members of the Soviet government.

In his speeches, Sadruddin Aga Khan invariably declared the necessity of immediately setting about offering aid to the most needy groups of the population of Afghanistan, first and foremost in those regions of it where there were practically no military operations and aid could thus be rendered on a long-term basis. The question arises in this regard: isn't Kabul and some of its environs, for example, one of those regions? In the last eight or nine years, after all, the population of the city has doubled, reaching two million people, thanks to the influx of displaced persons. The people who have settled in Kabul Province are really in need of the most urgent aid. Thus why not make Kabul itself a support point from which the UN aid could then be distributed "symmetrically" to the other regions of the country? And aren't there echoes of the de facto lack of acceptance of the current Kabul regime headed by President Najibullah in the positions of those who are opposed to this?

The peacemaking activity of the government of the Republic of Afghanistan has received the objective recognition of the international community, as authoritatively confirmed by the unanimous adoption of the resolution on Afghanistan by the 43rd Session of the UN General Assembly. This resolution, first of all, approved the Geneva agreements, which, as is well known, were achieved as the result of the peace initiatives advanced by the Afghan government. Second, according to that resolution the UN secretary general has been charged with a mandate to assist to the utmost the most rapid possible achievement of an all-encompassing political

settlement in Afghanistan. And this, as is well known, is once again one of the main points of the program of national reconciliation that was advanced by the Afghan government.

The recent peace initiatives of the Afghan government for the holding of an international conference under the aegis of the UN for the purpose of ensuring the neutral status and demilitarization of Afghanistan under international monitoring has elicited approval in many countries around the world. This would help finally to end the bloodshed in the country and to extend international aid to all of its territory, the question of granting which is also being proposed as one of the questions on the conference agenda.

It is now up to Pakistan and the United States, who are continuing to preserve a seat of tension in Afghanistan despite the agreements that have been achieved, to approve the peace initiatives. The Soviet Union is honestly fulfilling the obligations it took on. Its limited military contingent was completely withdrawn from Afghanistan by February 15. And now it is difficult for Pakistan and the United States to accept the new approaches to international affairs. Their actions are impelling the Afghan "irreconcilables" to continue the bloodshed and fratricidal warfare.

It is an immutable fact that the Pakistani authorities, with the direct support of the United States and despite the Geneva agreements, are forcibly detaining the Afghan refugees in their territory and are thus far impeding the creation of the joint commissions for the repatriation of refugees and determining their points for crossing the Pakistani-Afghan border as stipulated by those agreements, effectively reducing to naught all the efforts of UN bodies that are finally being undertaken to begin implementing the first stage of the UN aid program for Afghanistan.

Appreciable successes have been achieved of late in resolving many protracted regional conflicts. The needle of the political barometer here has clearly moved from confrontation to a search for mutually acceptable agreements. The Afghan problem should be resolved in the channels of this positive process.

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### Barriers to Japanese-Soviet Trade

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
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[Article by Candidate of Economic Sciences M. Krupnyanko: "USSR-Japan: What is Impeding Mutual Trade?"]

[Text] Over the course of the whole postwar period, the Soviet Union and Japan have tried to maintain stable trade contacts. What is attractive about the Japanese market for the USSR? First and foremost high-quality

and relatively cheaper (compared to the other industrially developed countries), modern and technically complex products, preferential credit and the possibility of collaboration in the eastern regions of our country. Last but not least is a desire to improve political relations, as well as to stabilize the climate in the Asian-Pacific region, where Japan occupies the position of a leading economic power.

For Japan, an expansion of ties with the Soviet Union signifies first of all an opportunity to diversify its exports of finished products, the sales of which are running into strict protectionist barriers in other countries, to increase its scientific and technical potential via the receipt of access to the latest scientific discoveries and, finally, to utilize trade as a control to pressure the USSR for political purposes.

The mutual vested interest of the partners has facilitated an increase in trade turnover between them in recent decades (from 1960 through 1986) from 147 million to 5.1 billion dollars, that is, by more than 35 times.<sup>1</sup>

And all the same today, at the end of the 1980s, there are grounds to feel that the mechanism of Soviet-Japanese economic ties is seriously out of adjustment. And the point is not that the rate of absolute increase in goods turnover has slowed or even dropped compared to prior decades. The problem is way more complex: the old model—Soviet raw materials in exchange for Japanese industrial output—does not work anymore. I note the following among the most important reasons for this. The Soviets have begun to experience difficulties in expanding raw-material exports. Foreign-currency receipts have moreover begun to drop in connection with the decline in world price levels for petroleum and other forms of power raw materials. It is as yet impossible to replace these commodity positions through exports of finished products by virtue of their lack of competitiveness in world markets. The situation is also complicated by the fact that the role of the PRC has grown in the Japanese market. Raw materials also predominate in PRC export patterns, but Japan maintains special, friendly relations with it. The acuity of the problem of procuring raw materials has declined for Japan, which is making more and more intensive use of power- and materials-conserving technologies.

It thus became obvious for both countries in the second half of the 1980s that a fundamental reconsideration of the basic concepts of trade and economic relations was essential and new incentives for their development needed. It was also obvious at the same time that there was an enormous distance from an understanding of the objective truth to a fundamental restructuring of the economic ties between the countries. It is important in order to reduce it first and foremost to interpret the reasons that are hindering a deepening of the trade and economic contacts between Japan and the Soviet Union.

The principal object of attention of Japanese capital at the end of the 1980s, as is well known, was the eastern

regions of the USSR. According to the calculations of Japanese economists, about six billion dollars were involved in the development of that region in the 1960s and 1970s in the form of foreign credits, technology, equipment and consumer goods. The significance of the Far East and Siberia in the economy of our country nonetheless not only did not grow, but even declined. Whereas in the 1970s the growth in industrial output in this region comprised seven percent a year, starting in the second half of the 1980s it dropped to 4.2 percent. The production of electric power developed too slowly, and the fuel and power base did not even satisfy internal requirements (the shortage of fuels grew by 4.5 times from 1980 through 1984). The exploitation of oil and gas fields became more difficult and expensive, and the balance-sheet reserves of timber resources declined. Outmoded methods were employed in the timber industry as before; just 18 percent of timber was subjected to thorough processing; sawn lumber and cellulose were processed at 1.5 times less per cubic meter of timber, and plywood and boards three times less, than the country overall. And this was notwithstanding regular procurements of the essential equipment, technology and construction machinery in Japan. What use is the very latest technology anyway if it cannot be used due to the poor development of the construction base? And there was no miracle in agriculture either, where Japanese equipment was also delivered: they were just 28 percent self-sufficient in grains, 51 in meat, 46 in milk, 40 in sugar and 54 percent in vegetables.

Even the fishing industry, generously supplied with Japanese equipment and nets, had nothing to brag about. And after all, its output is one of the most important export line items of the Far East. They supply principally low-value species of fish there, chiefly mintai, while valuable types are caught in small quantities due to the poor productivity of the commercial receiving and transport fleets.

It is wholly understandable that Japanese businessmen do not look on this situation with optimism. Proceeding from their own business experience, they are concluding that it cannot be ruled out that in the future the Soviets will reduce their economic collaboration with Japan, rife with waste and inefficiency.

This conclusion is also reinforced—and this is no secret to anyone—by the fact that the Soviet Union is encountering enormous problems on the path of creating new export patterns. As has already been mentioned, the patterns of Soviet exports over the span of the postwar period have essentially not changed despite the new directions taken by the Japanese economy. And the USSR is to this day supplying Japan principally with goods in the fuel and power groups (instead of scientifically sophisticated and materials-conserving products). It is also difficult to count on positive changes in this area in the near future.<sup>2</sup>

The situation is aggravated even more by the fact that the rise in the quality of export products has been



accompanied by a sharp rise in their cost and the costs of production. Knowing what industrial output for export costs a country, Japanese firms can where necessary accuse Soviet exporters of using dumping to penetrate the domestic Japanese market (Soviet industrial goods, as is well known, move in world markets, as a rule, through relatively low procurement prices).

Another weak aspect of Soviet-Japanese economic relations became obvious in the 1980s. The discussion concerns the sluggishness of foreign-trade organizations that receive the specific proposals of Japanese partners. The Soviet Union suffers material losses as a result. Thus the failure that befell the Sakhalin project was caused by endless red tape on the part of certain agencies. Is it surprising that Japanese power companies, which have purchased the gas they need through the year 2000 in the world market, have refused to take part in the Sakhalin project? As a result, as the newspaper DAILY NOMICHI has written, the USSR is deprived of many billions of foreign-currency income.

The shortage of currency reserves has moreover become a serious drag on the development of bilateral trade. During the first half of the 1980s the USSR lost over 10 billion dollars due to price declines for the principal types of raw materials. The currency difficulties could not help but be reflected in the overall growth of commodity turnover. The situation could naturally be corrected via the attraction of Japanese business or loan capital, the creation of joint enterprises with an export orientation etc. Japanese investors, however, are not rushing to export their capital to the Soviet Union.

It would be simplest of all to explain the reasons for the stagnation that Soviet-Japanese trade ties are currently experiencing in an old key, shifting all the blame onto the Japanese leadership. They are, it is said, striving for the politization of economic ties—that's the root of all evil. This presupposes the alignment of Japan with the American policy of sanctions against the USSR, participation in COCOM, artificial limitations on the export of technically complex products and the like. It seems, however, that such an approach, although largely correct, does not completely explain the problem.

The point is that even during the period of tightening trade policies in relation to the USSR, Japanese exports not only did not decline, but on the contrary increased. Soviet exports to Japan had a trend toward decline.<sup>3</sup> So without denying the negative consequences that were engendered by the politization of economic relations, it must be acknowledged that the principal causes of the stagnation lie on another plane. They were caused first and foremost by the fact that the capabilities of Soviet "buyers" to satisfy the Japanese market for high-quality products were limited. A steady trend toward the prevalence of imports over exports was noted in our trade with Japan in the 1980s. A chronic balance-of-trade deficit took shape as a result that exceeded a billion dollars annually from 1975 through 1986. The principal reason for the imbalance was these same limited export

capabilities of the USSR in the Japanese market. Need it be stressed how disadvantageous it is for the country when trade comes out to a negative net balance (from 1980 through 1986 alone, the Soviets "lost" over nine billion dollars in trading with the Japanese)? There are unfortunately as yet no radical means that would help us level off the balance of trade, aside from reducing imports of finished products. A fall in imports would entail reductions in Japanese exports, which affects Soviet trade turnover overall.

No few problems have also accumulated in such an important realm of bilateral trade and economic relations as coastal trade. It was typified by high growth rates that reached 40-50 percent a year over the 1960s and 1970s. Sharp changes occurred starting in the 1980s, however. A staffer at the Association for Trade with the USSR and the East European Socialist Countries (SOTOB), Takahashi Hiroshi, feels that the chief reason is the hard-and-fast patterns of Soviet exports, which have not changed over the course of recent decades. The high prices established for export products in the coastal zones furthermore make participation in trade unprofitable for small and medium-sized firms in Japan. We add to the considerations of the Japanese scholar one more reason that explains the reductions in our ties with Japanese firms. In the middle of the 1980s, Chinese foreign-trade associations were taking part in coastal trade. Relations with them began to develop rapidly. As early as 1987 some 2/3 of all foreign-trade turnover of Dalintorg fell to the share of the PRC. Trade with the Chinese came to predominate as a result.

I would like to emphasize, however, that along with a certain loss of trust in their Soviet partners, Japanese businessmen are hoping for a revival of trade with the USSR in the near future anyway. The new political thinking of the Soviet leadership, the practical steps for a restructuring of the foreign economic sphere, the adoption of the law on the organization of joint ventures on USSR territory and the like are the grounds for this.

Judging from Japanese sources, the Soviet proposals to create joint enterprises to realize the Food Program in the Far East and in Siberia—the cultivation of vegetables, the processing of agricultural foodstuffs, their storage, packing, production of modern containers and shipping—have struck a chord in business circles. It is being proposed that our Japanese partners take part in expanding the Port of Vostochnyy, the modernization of light-industry enterprises, including worsted-woolen mills, enterprises for the processing of goat down, camel's fur, the manufacture of children's toys etc. The Japanese government is in principle looking positively on the participation of its specialists in restructuring the Soviet economy on the basis of power-conserving and automated technologies.

Japanese businessmen will at the same time go further. They are interested in making inherent at the foundation of collaboration conditions that will assist in expanding

exports of mass-production goods—motor vehicles, consumer electronics, video recorders, optics, clocks and watches and refrigerators, that is, everything that comprises the foundation of the economic ties of Japan with the majority of countries in the world. Such are the aims of Japanese businessmen in relation to the Soviet Union. They express the point of view not only of the representatives of large capital, but small and medium capital as well, whose interests are tied with expanding fishing activity in the northwestern portion of the Pacific Ocean, greater accessibility to the technical achievements and developments of social scientific-research institutions, and increased exports of consumer goods. The major corporations are counting on receiving concessions for the development of minerals and natural resources in Siberia, the Far East, Central Asia and the Urals and in participating in creating special economic zones in the Baltic, Caucasus and Far East regions. They are trying to outstrip competitors from the United States and the countries of Western Europe. SOBOTO academic associate Sujuki Terujo feels that the apprehensions in relation to the United States are not unfounded. He notes in particular that Soviet orders provide work for over 300,000 American manual and office workers.

But large capital in Japan, as has already been noted, fears Eastern competition as well as Western. China has been added to the ranks of the incontrovertible rivals with an indisputable advantage over Japan—a socio-economic and political system similar to that of the Soviet Union. To the extent of improvements in Soviet-Chinese relations, it is displaying more and more of an interest in namely those regions of the Far East and Siberia where Japanese capital was put to work in the 1960s and 1970s. The participants in the international symposium of Sovietologists that was organized by the Institute of Slavic Studies at Hokkaido University in August of 1986, for instance, came to that conclusion.

Finally, the role of trade as a political factor in Soviet-Japanese relations. The well-known American specialist on international relations in the Asian-Pacific region, R. Scalapino, feels that the Japanese government and large capital will never reject trade and economic relations with the USSR, not because they promise commercial advantages, but rather because they are important for strategic political considerations. It should not be unexpected that Soviet-Japanese trade enters a phase of intensification and marked growth at the beginning of the 21st century due namely to these considerations.

In reflecting on the prospects for the development of Soviet-Japanese ties in the coming decade, it is possible, in my opinion, to propose the following.

First, in the interests of both nations, expand contacts in the scientific and technical realm, and especially create a new mechanism of economic collaboration whose foundation is exports of "technological semi-manufactures" from the USSR in exchange for imports of finished technology from Japan.

Second, collaboration in the financial realm looks promising. The Japanese government is ready to expand the granting of credit and preferential terms on yen loans (as official Japanese representatives have declared of late), as well as place Soviet obligations for joint ventures in the Japanese market. Japanese financiers, as Sujuki Keysuke notes, are ready to enter into contact with the government if deals in this realm prove to be productive for an expansion of the commercial activity of Japanese firms in the Soviet market.

Third, a change in the realm of the export of entrepreneurial capital from the USSR and the creation of joint Soviet-Japanese enterprises in various areas of business activity, beginning with the services sphere and ending with production cooperation, is not ruled out. It is true that years will probably be required for Japanese investors to outgrow preconceptions in relation to the Soviet market and adapt themselves to our economic system. Only then will they set about profitable investment in the USSR.

Fourth, the new model of economic collaboration can be supplemented by ties of both sides in the organization of special economic zones both in the territory of the Far East and in other regions of the USSR.

The major Japanese businessman Ota has advanced the idea of building a new international maritime port on the territory of the Far East with the aid of Japanese firms to handle cargo from the PRC, North Korea and Japan to the USSR or for transit to Western Europe. The economic basis of such a project could be, in Ota's opinion, the leasing of 100 square kilometers of territory by the Soviets to the Japanese for a term of 60 years for the construction of the port itself and the essential infrastructure facilities. Not everything in this idea is incontrovertible, but Ota is nonetheless ready to consider this project as part of another—the construction of an international airport in the Khabarovsk region to make more active the air connections of the USSR with the countries of ASEAN, the PRC, Japan and the countries of the Asian-Pacific region overall.

Some foreign specialists are inclined to see more than aspirations for commercial advantage in the Japanese proposals. The director of the Institute for Japanese Studies at Oxford University, for instance, John Stockwine, ties these proposals with the intention of the Japanese leadership to draw the USSR into large-scale industrial construction in the Far East or in Siberia and thereby "withdraw" a portion of the material and human resources engaged in reinforcing the military potential in this region. But we will leave such inferences to the conscience of the author.

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And so, the 1980s have shown that the economic incentives that have aided the development of collaboration between the USSR and Japan in prior decades have been depleted. A rollback of the level that had been reached has occurred. Soviet-Japanese trade has reflected all of

the contradictions characteristic of East-West business ties and their weakness and instability. This is realized by both countries, which, notwithstanding all of the difficulties and contradictions, are ready for constructive dialogue. The readiness expressed by both parties in the course of the visit of USSR Minister of Foreign Affairs E.A. Shevardnadze to Japan to assist the further bilateral expansion of trade and economic relations on the basis of mutual advantage with a regard for the economic restructuring in the Soviet Union and structural changes in the economy of Japan can serve as confirmation of this.

#### Footnotes

1. "Tsusyo hakusyo, kakuron" ("White Book of Foreign Trade" for the corresponding years (in Japanese))

2. In the 1980s, products with a high degree of machining did not exceed one percent of the value of all Soviet exports to Japan, and moreover their quality was below the level of world standards.

3. From 1980 through 1981, during a period of sanctions announced by the Japanese government in connection with the events in Afghanistan, Japanese exports to the USSR grew by 17.3 percent, while Soviet exports to Japan declined by 2.2 percent.

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#### Bureaucratic Obstacles to Asian-African Development

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[Article by Doctor of Historical Sciences R. Landa under the rubric "Problems and Opinions": "The State Apparatus and Bureaucracy in the Orient"]

[Text] The problems of officialdom "as a particular sort of individual specializing in administration and placed in a privileged position over the people"<sup>1</sup> and the state apparatus overall are treated in different ways in the young Afro-Asian states. The range of actions of the administrative cadres in these states is quite broad, and the economic, political and other tasks they resolve are complex and diverse. The state apparatus they comprise is thus sociologically and functionally not homogeneous or synonymous even in comparatively similar countries with a similar ideo-political orientation. The economic functions and social role of the administrators of the state sector in the countries of the Orient developing along the capitalist path comprises a special problem in particular. Even more complex for analysis are questions of the social nature and techniques of implementation of political power in the countries of Asia and Africa that are undergoing or have undergone the stage of national-democratic revolution.

There is no doubt that state employees, including in the Oriental countries with capitalist development, perform various socially essential and useful functions in the realization of common national tasks of a political, economic, administrative, ideological or other nature. They become bureaucrats when, in accordance with the aforementioned Lenin statement, they use their positions in the system of administration to extract various privileges. "Bureaucratism," noted Lenin as early as 1904, "signifies the subordination of the interests of the cause to the interests of the career, addressing particular attention to the job and ignoring the work."<sup>2</sup> A certain style of activity of the official is also sometimes called bureaucratism—"red tape, paper-shuffling, canned replies."<sup>3</sup> But these are not just psychological shortcomings caused by some traits of the individual such as laziness, inertia, narrow-minded pedantry, fear of responsibility or formalism. They are also a consequence of a low level of overall culture, as well as the culture of interpersonal relations, domestic and political culture. The latter shortcoming is largely connected with the insufficient development of capitalism in the Orient, or more correctly, with the lack of sweep of bourgeois modernization of considerable regions and considerable segments of the population connected with traditional culture and little affected by the cultural influence of capitalism.

Lenin considers bureaucratism as something socially more archaic than capitalism, as a sort of pre-capitalist atavism. This is confirmed by an indication of the economic and social roots of bureaucratism: "fragmentation, the scattering of the small producer, his impoverishment, lack of culture, lack of roads, illiteracy, lack of circulation between cultivation and industry, lack of communication or interaction among them."<sup>4</sup> This could be connected with the consequences of the harsh ruin and civil war that was the climate in Russia in 1921. But it could also be the consequence of the many years of colonial yoke and oppression that we see in the Afro-Asian countries today.

"Bureaucratism in our state order," acknowledged Lenin, "has received the significance of the scab that our party program talks about."<sup>5</sup> These words, spoken at the 10th RKP(b) [Russian Communist Party (Bolsheviks)] Congress, testify to the great significance assigned to this danger even in the first years of the building of a new society in Russia. The roots of this danger were deep, socially conditioned and historically objective.

"The struggle against bureaucratism in a peasant and arch-exhausted country requires a long time, and this struggle must be waged persistently, not losing heart at the first failure."<sup>6</sup> Lenin tirelessly repeated and varied this idea in his speeches, appearances, articles and letters in the last years of his life. He was sure that "it is impossible to 'banish' bureaucratism in a peasant country, it cannot be 'wiped from the face of the earth.' It can only be reduced through slow and dogged labor."<sup>7</sup> since "in order to overcome bureaucratism, hundreds of measures are needed, universal literacy and universal



culture are needed."<sup>8</sup> But insofar as that cannot be achieved without profound transformations in all of society and all of its civilized structure, the discussion concerned an entire historical period. "The fight against bureaucracy will require decades,"<sup>9</sup> V.I. Lenin emphasized in this regard.

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The subsequent course of events confirmed this foresight. The resolution of the tasks, vitally important to the country, was accomplished at all stages via the maximum concentration of efforts and resources under conditions of maximally centralized planning and administration. This did not in and of itself facilitate the rapid disappearance of bureaucracy and did not further the formation of the economic, social and psychological preconditions of such a disappearance. Moreover, notwithstanding the gradual transformation of the USSR from a peasant country into a developed industrial power, the disappearance of fragmentation and lack of culture of small-scale production, the achievement of universal literacy etc., there existed, as was noted in the resolution of the 19th All-Union CPSU Conference, "dictate, administrative arbitrariness in the economy and in the social and spiritual realms, official indifference to the rights and needs of people, a contemptuous attitude toward public opinion and the social experience of the workers." As was further emphasized, "in a climate of stagnation and the hobbled nature of democratic institutions, bureaucracy spread to dangerous limits and became a drag on social development."

The resolutions of the conference indicated the way to eliminate bureaucracy: "radical economic reform, a reform of the political system, processes of democratization in the party and society, glasnost, the development of criticism and self-criticism and the real involvement of the people in the administration of society will thoroughly undermine the positions of bureaucracy. But the whole battle lies ahead."<sup>10</sup> The last sentence says much. Behind it lies the task of surmounting the cumbersome and inefficient nature of various types of administrative bodies, inertia and passivity, departmental parochialism and provincialism, falsification and arbitrariness, not to mention the suppression of criticism and initiative from below.

It is essential, in order to get rid of all of this, to do a great deal on the spiritual and moral plane, as well as on the political and organizational plane, since "to develop an offensive against bureaucracy means to resurrect Leninist traditions and criteria of spiritual life, to use creatively and develop the ideology of Marxism-Leninism, to assimilate and develop the new political thinking, to have an impatient attitude toward manifestations of dogmatism, vulgar morality, social dependence and official abuses. A climate of free juxtaposition of views and ideas must be created, petty surveillance and remnants of the command style in the leadership of science and culture must be decisively overcome."<sup>11</sup> The 19th All-Union Party Conference indicated concrete

measures to fight bureaucracy: the necessity of the democratization of administration, improvements in it, the accountability of elected organs, openness and accessibility for monitoring and the competent organization of affairs.

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The post-October experience of struggle against bureaucracy in our country naturally has its own specific nature and its own historical features and scale. It is exceedingly instructive, however, for the countries of the Orient as well. After all, the "forms of organization of society unprecedented in history" that were born in 1917 "out of the most complex material of multi-institutional Russia" inevitably bore the imprint of the social life of a country "with a medium level of capitalist development... the predominance of the peasant population, profound remnants of feudalism and even prior social formations."<sup>12</sup> All of this is also typical of the majority of the contemporary Oriental countries.

The role of the state in the Orient in our time is exceptionally great for many reasons. The state in the Orient, first and foremost, is a historically self-sufficient force in economic and ideological as well as political life. To be affiliated with the state and with service in its apparatus was always not only advantageous, but first and foremost honorable and prestigious. The social functions of the state in the Orient are even now not limited to the sphere of politics, defense and diplomacy, but rather also extend to the economy, ideology and, what is especially important, to the regulation of the domestic interconnections and mutual relations of classes, segments, institutions, types of economy and ethnic and denominational communities. All of this requires a far-flung apparatus with specialized services, complex in structure and enormous in the number of employees. Only monitoring and regulation, accounting and planned economic development (while the state in the Orient today is forced to take on the resolution of the most labor-intensive and expensive tasks of a nationwide nature) are associated with the permanent growth of the state apparatus and improvements in its structure and qualifications.

At the same time, authoritarianism and dictate, official thoughtlessness and irresponsibility and selfish economy under the guise of loyal assiduity are frequently characteristic of the activity of the state apparatus in countries of the Orient with the most diverse socio-political orientations. This is not explained by the incompetence and lack of preparedness of the state bureaucracy, excessively large in many Afro-Asian countries, and its separation from the people along with anegotistical indifference to their problems alone. The class ties and class orientation of the officials has a decisive influence on the whole set of social, cultural, political and psychological reasons for their despotic indifference, picked up from their own historical predecessors and the deeply rooted inertia of feudal despotism.

The following statement by V.I. Lenin on the bureaucracy of tsarist Russia at the end of the last century is interesting as a description of these ties and this orientation: "...replenished chiefly from among the intellectuals, this bureaucracy is both by derivation and by the purpose and nature of its activity profoundly bourgeois, but absolutism and the enormous political privileges of the noble landowners have imparted especially dangerous qualities to it. They are a constant weathervane, supposing their highest mission to be in combination with the interests of the landowners and the bourgeoisie. They are the one who uses his advocacy of and connections with serfdom to fan the workers and peasants, under the guise of 'protecting the economically weak' and 'guarding' them in defense against the kulak and the usurers, pursuing such measures as pushing the workers down into the position of 'mean mob,' relegating them one by one to the serfowning landholder and thereby making them defenseless against the bourgeoisie. They are the most dangerous of hypocrites, made wise with the experience of the Western European masters of reaction and artfully hiding their despotic lusting under the fig leaf of populace-loving phrases."<sup>13</sup>

Isn't this definition reminiscent of the contemporary bureaucracy of the Afro-Asian states, frequently replenished from among the "intellectuals" but basically feudal and bourgeois and striving for a "combination of interests of landowner and bourgeoisie"? The more so as in today's Orient they are very often the same person, synthesizing the social traits of the capitalist and the pre-capitalist exploiter. And doesn't this bureaucracy really systematically deceive the workers, trampling their rights, ravaging them with taxes, extortions, bribes, official instructions and restrictions, aren't they turned into the "mean mob," that is, a mass of impoverished paupers and lumpen without rights? And isn't all of this done to protect the interests of the feudalists, the bourgeoisie, the usurers and the kulaks, under the cover of "populace-loving phrases" and with a regard for the experience of Western demagogues, essentially reducing the concept of freedom just to the freedom of private enterprise?

The notorious "combination of interests of the landowner and the bourgeoisie" that lies at the foundation of the flourishing contemporary Oriental bureaucracy assumes the formation of support for such flourishing via social corruption, the buying off of the non-proletarian labor segments by the bureaucratic apparatus. "It is," wrote V.I. Lenin, "namely the petty bourgeoisie that is attracted to the side of the large bourgeoisie and that subordinates itself to it to a considerable extent through this apparatus, giving the upper echelons, petty tradesmen, traders and others comparatively comfortable, peaceful and honorable jobs, making them possessors of them *over* the people."<sup>14</sup> Corruption and the effects of it moreover extend to the proletariat and its organizations, as a consequence of which "officials in our political and professional organizations are corrupted (or have a tendency to be corruptible, more

precisely speaking) by the climate of capitalism and display a tendency to be transformed into bureaucrats, that is, separated from the masses, into privileged individuals standing *over* the masses."<sup>15</sup>

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The bureaucracy and technocracy in the modern Orient in a number of cases acquires absolute power with all of the social and political consequences arising therefrom. This is especially characteristic of countries with military regimes, for example Bangladesh, where as recently as the end of the 1970s 80 percent of all command positions in the administration, the political system and the economy, including the leadership of all 24 ministries and 38 state corporations, were occupied by professional officials and regular military. The bureaucracy in Bangladesh, in the opinion of Indian sociologist E. Akhmad, "has come forward as a ruling class, replacing the political elite." Under conditions of civilian rule, however, the bureaucracy frequently acts as a regulator of cultural and ethnic contradictions as well as social-class ones. In the Malaysian state bureaucracy, for example, basically Malaysian in derivation, a policy of seeing that the share of Malaysian capital in trade and industry reaches 30 percent by 1990 is being doggedly pursued to the detriment of the Chinese and Indian capital that still maintains its sway in the country's economy. The Malaysian origins of the traditionally honored hereditary feudal aristocracy in the country also plays an important role here.

The concepts of "bourgeoisie," "bureaucracy" and "aristocracy" sometimes almost converge. In Morocco, for example, practically all of the high-ranking representatives of the state apparatus and the national business world belong at once to the 300 most distinguished feudal families of the country. It is actually not even bureaucratic capital, the role of which has often been written about with Kuomintang China or Kemalist Turkey in mind, but rather a special version of it that takes shape in such cases (quite often in countries with monarchical regimes such as Saudi Arabia, Jordan or the emirates of the Persian Gulf). I would call it a "feudal-bureaucratic bourgeoisie."

This socio-historical hybrid is especially dangerous, since it synthesizes the essential traits of the most diverse social forces—the hereditary aristocracy, officialdom and the business world. Such a synthesis has strengthened many times over the might and positions of feudal-bureaucratic capital (FBC). From the aristocracy FBC borrows not only an authoritarian despotism, but also reputation and influence among the population of the traditional culture, including among the bearers or adherents of that culture in the cities. From the bureaucracy FBC essentially takes all of its qualities and traits that were mentioned above with the exception, perhaps, of mindless execution (since resourcefulness and enterprisingness are characteristic of FBC) and the "fig leaves of populace-loving phrases," which FBC either does not need or resorts to very rarely. From the bourgeoisie FBC

has also taken everything, with the exception of the democratism and freedom of private initiative that are characteristic of the young bourgeoisie of early capitalist Europe. FBC overall is much more resourceful than feudalists, much more enterprising than bureaucrats and much more conservative than the bourgeoisie.

FBC is not a phenomenon characteristic exclusively of feudal-monarchical states alone. Theoretically speaking, it is a dead-end version in the evolution of the social-class coalition of the bourgeoisie, officialdom and *any* pre-capitalist exploiters. The latter need not always be feudalists in the complete sense of the word. They can also be representatives of the clergy, still exceedingly influential in almost every country of Asia and Africa without exception. It thus seems that FBC (or its embryo, or some special model and variety) exists also in some countries with republican regimes of the type of Lebanon, Iran, Pakistan and a number of others. In those same countries where the feudal class is either weak or for various reasons cannot enter into a coalition with the bourgeoisie and the bureaucracy (or, even more often, with a bureaucratic bourgeoisie), its place is frequently taken by a military caste of generals and officers, frequently even more authoritarian than feudalists and, of course, much more popular than they—at least at first.

The class ties and class orientation of the bureaucracy in the Afro-Asian countries with capitalist development thus are socially conditioned, and under the new circumstances and at new stages and turns in social development generate distinctive and socio-historical versions of the bureaucratic bourgeoisie or FBC type not seen before.

But even in the countries with progressive orientations that have experienced or are experiencing the stage of national-democratic revolution, a bureaucracy or a technocracy exists along with bureaucratism and other negative phenomena, to a certain extent inevitable with the profound and radical transformations of multi-institutional societies. Gamel Abdel Nasser, the leader of the Egyptian revolution, said in this regard that "Bureaucratic tendencies are a serious danger in the transitional stage from feudalism and capitalism to socialism... We have inherited bureaucrats from the previous regime, and they are trying to supplant the capitalists and the feudalists and will be a drag on the process of socialist transformation."<sup>16</sup> Similar trends have unfortunately also been noted in other countries as well. They are far from always being fought everywhere, in any case in the manner that is essential.

Progressive regimes that encounter the bureaucratization of the state apparatus, the sabotage of officialdom and covert support for it on the part of the bourgeois opposition usually begin fighting first and foremost the corruption of the apparatus, trying to cut its ties with national and foreign capital. But neither a "commission to investigate illegal acquisitions," a campaign for "revival" nor even demonstrative legal proceedings and the execution of highly placed bureaucrats has had the

needed impact. The battle must be waged long and hard in this area. The corresponding efforts that are being undertaken in this area by the leaders of Algeria are most deserving of attention.

Measures have been underway in that country over the entire last decade first and foremost to mobilize the masses to fight bureaucratism. The slogan "We should choke the bureaucracy so that it does not choke the revolution" was advanced as early as 1975. In 1980, as the result of a "process of revival" that was begun by the government and the ruling party, there followed the unmasking and arrest of a series of prominent individuals, including the highest managers of the state sector and the private businessmen connected with them. Four people, including three ministers, were expelled from the central committee of the ruling party in July of 1981 for corruption and anti-democratic activities. It was acknowledged in the official Algerian press at the end of 1981 that "the bourgeoisie was able to penetrate the administrative and economic apparatus, and then the political apparatus." The Algerian Marxists then noted that the "exploiting and parasitic classes" in the country "know on what circles of the bureaucratic bourgeoisie they can count in the state mechanism."

Questions of the fight against bureaucratism have also been raised at congresses of the ruling party in 1983 and 1985. A new impetus for this campaign was received in November of 1987, when the Council of Ministers of the ANDR [Algerian People's Democratic Republic] announced specific measures to fight a "phenomenon that has a most negative influence on economic activity, the quality of life of the citizenry and the normal functioning of the state mechanism, local organs of power and enterprises."<sup>17</sup> Glasnost was established as early as November 1987 in the work of administrative organs. Some types of certificates were abolished, the issuance of others was simplified and the responsibility of each worker in the administration for the groundless calling of citizens into the institution was established.

A month under the slogan of "An administration of open doors" was held in the country in March-April 1988, the aim of which was proclaimed to be improving relations between officials and inhabitants and easing the procedures for filling out various documents. Lines at institutions (where Algerians had earlier received over two hundred types of various forms alone) were reduced. A week used to be required to collect the documents needed to extend residence in the country, and now it takes a day. The filling out of exit visas used to take two days, now it is three or four hours. Computer technology is being used to speed up the solution of various problems, including filling out documents. Questionnaires have been given to the population on issues of improving the operation of administrative institutions. Personal responsibility of employees for the areas of work entrusted to them has been instituted, and the selection of people from every neighborhood authorized to resolve issues together with the administration is being conducted.



A center for the study of public opinion is being created in the country that will provide recommendations to improve legislation and research problems that arise in the relations of the population with the authorities. A National Committee to Oversee the Fight Against Bureaucratism has also been created. It includes representatives of the ministry of foreign affairs, organs of power from the localities, representatives of the press and public organizations, university instructors and lawyers. The members of the committee constantly go out to local areas to inspect operations, but they monitor them from the side—"pedagogical, not punitive." The opinion prevails in the country that many official employees must be re-educated, which will take time. The reform of administrative organs that is planned for the near future will also be an element of the war against bureaucratism that has been announced.

The measures being implemented by the Algerian leadership in the fight against bureaucratism are extremely revealing in general. They testify to the fact that this struggle has many common general laws in the most varied parts of the world, as Lenin pointed out at one time. The successes of Algeria in this fight are at the same time far from accidental. The development of capitalism in that country, albeit in colonial form, nonetheless began back in the middle of the last century. True, Algeria even now remains a multi-institutional country, but it has been modernized to a sufficient extent, and after the transformations of 1963-75 the remnants of pre-capitalist relations have been eradicated to a significant degree. Not being a country of total literacy, Algeria is nonetheless greatly ahead of the countries of the region in indices of it. The long duration (over a century and a half) of Franco-Algerian ties in the sphere of economics, culture, production, technology and human contacts (there are many Algerian-French, Algerian-Spanish and other mixed families in the country) has left an imprint on the general and political culture of Algerians. This relates especially to the millions of Algerians who were in Europe for a long time as migrant workers, servicemen or students. The political, military, intellectual (including administrative) and business elite of the country is effectively comprised primarily of them today. Algeria thus has relatively favorable socio-historical, organizational, cultural and psychological conditions to fight bureaucratism.

The fight against bureaucratism in the Orient undoubtedly has its own specific nature and will obviously last longer than in Europe by virtue of the specific features of the historical development and historical traditions of Oriental political culture. The pace of economic growth, evolution of the social structure of the Afro-Asian population, cultural transformations, the ideological orientation and changes in mass psychology will resolve much. Much also depends on how nation-building proceeds in the Orient in the future and whether the general national tasks of economic creation and spiritual growth are accomplished. The state apparatus should change and improve in the course of resolving these tasks. And

the nature of it will of course be defined largely by the role of the state in the economic and socio-political life of the peoples of Asia and Africa in the coming decades.

#### Footnotes

1. V.I. Lenin. Complete Collected Works, vol 2, p 455.
2. Ibid., vol 8, p 351.
3. Ibid., vol 10, p 36.
4. Ibid., vol 43, pp 229, 230.
5. Ibid., p 32.
6. Ibid., vol 52, p 194.
7. Ibid., p 193.
8. Ibid., vol 42, p 260.
9. Ibid., p 248.
10. "Materials of the 19th All-Union Conference of the Communist Party of the Soviet Union," Moscow, 1988, p 128.
11. Ibid., pp 129-130.
12. M.S. Gorbachev. "October and Perestroika: The Revolution Continues." Moscow, 1987, pp 10-11.
13. V.I. Lenin. Complete Collected Works, vol 1, p 301.
14. Ibid., vol 33, p 30.
15. Ibid., p 115.
16. G.A. Nasser. "Problems of the Egyptian Revolution." Moscow, 1979, p 107.
17. PRAVDA, 15 Jul 88.

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#### Legitimacy of Indonesia's Military Control Questioned

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[Article by A. Yuryev under the rubric "Countries, People, Time": "Indonesia—The Army Is Restraining Initiative"]

[Text] Indonesia is today among those Asian nations that are drawing gradually closer to the newly industrialized countries, sometimes called the "four dragons"—Hong Kong, Singapore, Taiwan and South Korea—in the most important indicators of development. This comparison, of course, can only be of the most general nature, taking into account the specific nature of the problems of Indonesia and its 175-million-strong polyethnic population scattered across many thousands of islands and at the most varied degrees of human civilization—from the

primitive order on Irian to the modern capitalism on Java and Sumatra with the preservation of a rich spectrum of intermediate formations and the cultures and beliefs associated with them.

It is nonetheless widely recognized that Indonesia has by now been transformed from an agrarian-raw materials country into an agrarian-industrial one, and is among the developed states with an average level of development in the dimensions of the average per-capita national income. This was reflected in particular in the composition of its exports: along with the items of traditional raw-material exports, it has begun to trade in textiles, steel, refrigerators, television sets, chemicals, motorcycles, batteries and other types of industrial output.

The process of industrialization has as one of its components considerable changes in the social structure of Indonesian society, including growth in the stratum of national entrepreneurs, managers and the ranks of technical, scientific and humanities intelligentsia, those segments that are commonly related to the middle class. From 1967 through 1988 the Indonesian government issued licenses to local capital for investments in the sum of 45.2 trillion Indonesian rupees (over 26 billion dollars at 1988 exchange rates) and to foreign capital in the sum of about 20 billion dollars, not counting investments in the extraction and refinement of petroleum, insurance and banking. These figures provide a rough idea of the growth of the segment of Indonesian society that is directly connected with entrepreneurship, ensures the functioning of capital and is involved in the sphere of scientific and technical progress.

The educational qualifications of the population have risen in recent years. A certain positive shift has also occurred in their standard of living. By the second half of the 1980s, just 20 percent of Indonesians remained below the poverty line.

These and other social changes have created fertile ground for a certain social movement in favor of the corresponding changes in the political superstructure and the modification or reformation of the political regime. Some press organs and political scientists in Indonesia are now raising more insistently the issue of the legitimacy of preserving in its current form the "new order" regime that was confirmed in power in 1966 and relies entirely on the army. These sentiments are extremely widespread among the circles of the national entrepreneurs, the intelligentsia and the student youth.

#### **The Concept of the "Dual Function"**

The leaders of the armed forces proceed from the concept of the "dual function," in accordance with which the role of the guiding force of society, its "catalyst and stabilizer," is characteristic of the army of Indonesia since time immemorial and for all time. This position is determined by two basic motives: first, the conviction of the military elite that the transition to more liberal forms of rule will provide space for such a worsening of class antagonisms, religious contradictions and racial and

ethnic discord that civilian institutions will be unable to handle them, and second, the reluctance of that elite to part with the conditions of rule that have placed the army outside the control of any non-military institutions and provide enormous advantages and privileges in private entrepreneurial activity.

A material new element has appeared in the last two years in discussions of this issue. The military leaders have found that advocates of liberalization have moved from general declarations on this issue to a search for political support and have elected their own Organization of Functional Groups (Golkar) for this purpose. This organization was created back in 1964 as a unification of various professional, public and cooperative unions so as to counter the growing influence of leftist forces.

After the coming to power of the army, Golkar was transformed into a kind of support front for a "new order" under its aegis. The principal mission of Golkar became ensuring the victory of government groups in elections, and in the campaigns during the intervals, to screen the masses from views and concepts that do not coincide with the official ones. One circumstance must be emphasized: Golkar is in no way a ruling party, as is sometimes felt. But it subscribes to the government program and political course and, on the contrary, the military heading up the "new order" define the political direction of the organization.

The backbone of the organization of functional groupings is comprised of servicemen, including retired ones that are part of the Reserve Officers Union (PEPABRI), the Civil Servants Corps (CORPRI) as well as professional, public, cooperative and other organizations. Membership in PEPABRI or CORPRI for retired military and civil servants respectively is actually obligatory. The functions relegated to those two associations in Golkar differ in principle: whereas the Reserve Officers Union is first and foremost a tool for army control of Golkar, the Civil Servants Corps is a tool for army control of the many-million-strong bureaucracy within the framework of Golkar.

Golkar numbered some 30 million members in the middle of 1988. Such a size is the result of a purposeful policy of state power that facilitates to the utmost the entry of citizens into Golkar. It is wholly understandable that the millions of people pouring into Golkar will bring along all of the problems, doubts and contradictions characteristic of various segments of Indonesian society, including the growing sentiments in favor of the democratization of public and political life. It is typical in this regard that after the elections of 1987, as the result of which Golkar received 73 percent of the votes, some military figures noted that aspirations for such values as democracy and social justice predominated among the sentiments of the voters.

The presence of such sentiments was also noted by the leaders of Golkar. The secretary of its parliamentary

faction, Rakhmat Vitular, emphasized in an interview with the Indonesian newspaper KOMPAS that "The citizens desire more democracy and glasnost. This is a positive phenomenon and it will evidently develop further. The social dynamic is inherent in it and it cannot be impeded without causing social conflict. Officials who have been in their posts a long time usually want to preserve the status quo. A renewal is thus necessary to avoid such conflicts."

### The Necessity of Renewal

The reference to conflicts was not accidental. Although the climate in the country in 1988 was stable overall, disturbances on religious grounds in Aceh in northern Sumatra, mass disorders in Ujung Pandang that were caused, it seems, by such a secondary event as the imposition of compulsory wearing of helmets for motorcyclists, the strikes of bus drivers in central Java, the mass dissatisfaction of the Muslim population caused by rumors that the producers of some types of foodstuffs were mixing pig fat in them, racial and ethnic conflicts in eastern Java and some other events, despite their different coloring, testified to the fact that social and political tensions are preserved in the country that could lead to the destabilization of the situation. I would note in this regard that the calls for democratization of the political system in Indonesia reflect the aspirations of certain segments not only to get rid of the obstacles that are blocking the further advancement of the country along the path of bourgeois transformations, but also to remove the pressure "from below," not to allow it to become an independent and uncontrollable factor.

In this climate, the advocates of a liberalization of the regime are looking more and more intently at Golkar, even today discerning the presence of opportunities to develop it from a tool of the army into an organization that reflects the prospective interests of the middle class. Whereas two years ago journalists called Golkar a "favorite child" of the military administration, not without sarcasm, today they write with sympathy of the excessive dependence of that organization on the authorities and note that it is able to pursue independent policies, that forces are maturing in it that are strong enough to lead the democracy movement.

The economic difficulties that Indonesia is experiencing in connection with the unfavorable competitive market prices for raw materials and energy sources have impelled the government to conduct a certain decentralization of economic management. This has undoubtedly aided a new revival of business activeness, but it has had political consequences as well, inciting talk that analogous steps in the political sphere should follow. The newspaper KOMPAS wrote that "Decentralization in the economy could naturally turn into the decentralization of political life."

Such a virtually prohibited sphere under Indonesian conditions as ideology has also been affected in the course of the political discussion. It is well known that

the "unified principle" has been instituted in the country starting in 1985, in accordance with which all parties and other organizations are prohibited from adhering to any outlooks and views except the state ideology of Pancasila—five principles that include belief in one god, just and civilized humanism, the unity of Indonesia, democracy founded on consultation and representation, and social justice. These principles, to a certain extent universally democratic in nature, are obviously very general at the same time, and the state authorities have considerable latitude in their concretization and practical treatment.

Calls have appeared in the Indonesian press to impart to Pancasila the nature of an open ideology, that is, to permit the free discussion of issues of world outlook and their interpretation for contemporary Indonesian reality. A broad debate on this delicate topic has not developed, and the viewpoint of the official mass media can be reduced to the fact that the incarnation of Pancasila since 1965 has come close to the ideal, and that accordingly no discussions are needed on this issue.

All of the processes noted above have coincided in time with a change of generations in the leadership of the armed forces—the departure of the last representatives of the older generation of generals from active duty who took part not only in the national revolution of 1945, but also held command duties during the emergence of the "new order" in the 1960s. Certain hopes in civilian circles are associated with this—that the younger generals who have received a modern education and cultivation and were not personally responsible for the mass terror of 1966-67 will come to make less absolute the guiding role of the army and will be ready to embark on somewhat of a redistribution of power in favor of non-military institutions.

But the outburst of liberal sentiments and the positive chord they have struck, even including among some of the leaders of Golkar, have greatly alarmed the military leadership, which has evidently decided to begin a fight for Golkar and the future of that organization—will it remain a support for the army or will it begin to be transformed into a mass force of political modernization? The reaction of the military has proven to be unequivocal—preserve and strengthen the status quo, neutralize feeble liberal impulses from wherever they may come. President Suharto, speaking at a session of the People's Consultative Assembly in March of 1988, emphasized that the army "is demonstrating more and more of an ability to fulfill its historic mission of a dynamic and stabilizing force protecting the state ideology and imparting constant freshness to it."

The military kept for itself all of the key portfolios in the cabinet that was formed in March of 1988. Aside from the posts of president and vice president, the generals and admirals took the posts of the two coordinating ministers (for issues of defense and security and for issues of popular welfare) and the ministers of defense, internal affairs, justice, transportation, communications



and cooperation. The generals head up the parliament, the highest consultative commission to the president, the state financial inspectorate and the general procuracy, as well as a number of other organs of power.

### The Bogeyman of the "Communist Threat"

In order to reinforce the legitimacy of the military being in power, the theory of the communist danger, of the supposedly mass penetration of communists into all echelons of the state and ideological apparatus, was put back into circulation. However paradoxical it may be, the president himself became one of the indirect casualties of this campaign. By selecting as vice president for a new five-year term the leader of Golkar, Lt Gen (Ret) Sudharmono, a person more connected with the civilian bureaucracy than army circles despite his high military rank, the head of state elicited serious dissatisfaction among the upper reaches of the military. This dissatisfaction was not quite well-founded—Suharto's choice reflected, judging from everything, not a strategic turn in favor of civilian circles at all, but rather the traditional tactics of the president, who preferred to have alongside him people loyal to him personally and depending chiefly on his disposition. Sudharmono, without deep roots in the army, was just such a person.

The heavy artillery was brought up to compromise the "interloper"—Sudharmono was accused of being affiliated with leftist organizations as early as 1948, which under Indonesian conditions is equal to civil death. Gen Sudharmono was nonetheless able to deflect these accusations and formally become the second person in the official hierarchy (the real second person should be considered the commander-in-chief of the armed forces).

Variations of the communist infiltration of Golkar were disseminated at all official levels. A broad campaign to verify the trustworthiness of not only candidates for leadership positions within the organization, but also individuals being accepted into political parties, entering military service, becoming village elders, lawyers, priests and even puppeteers in the popular *vayang* puppet theater, was conducted.

Much noise was made over the book "What the Wind Sows, the Storm Reaps" that was published last year and is devoted to the activity of the first president of the republic, Sukarno, who was removed from his post in 1967. Written by a retired officer in Indonesian counter-intelligence using materials from the intelligence agencies, this book was conceived as a means of neutralizing the new outbursts of public interest, especially among the younger generation, in the national-popular ideas of the late leader that have appeared in the last few years. The author used a traditional method—he accused Sukarno of being a Marxist acting primarily in the interests of the now-banned communist party. The ensuing debate showed that this method backfired this time—the book did not discredit Sukarno as much as it incited a surge of interest in Marxism, and moreover called into question the constitutional ban on the CPI

[Communist Party of Indonesia], acting, as follows from the book, in accordance with the legitimate head of state.

Press features also began to touch on such ticklish questions as the legal aspects of the genesis of the "new order," and so the military felt it would be a good thing to put an end to the debate, "put on the brakes." Minister of Defense L.B. Murdani proposed that this topic be left to the professional historians, and perhaps to put it off altogether for about fifty years, when emotions would subside.

The execution of two sergeants in the personal guard regiment of former President Sukarno was a dark act in the anti-communist campaign. They had been sentenced to death over 20 years ago because, at the order of their commanders, they had taken part directly in the arrest and murder of generals in the Indonesian army who were suspected of a plot against the head of state. Now they were declared to be communists, which was far from the truth, and the sentence was carried out. When the prime minister of the Netherlands, R. Lubbers, raised the issue of the sentences in a discussion with the president while visiting Indonesia in November of 1988, he was told that the sentences had been carried out, since the condemned had not "repented for their deeds," and furthermore, for the whole 20 years they had been trying to obtain information from them about the underground network of the communist party. What these people, arrested almost a quarter of a century ago, could have known about this network was not elaborated.

We cannot always give a suitable explanation for the periodic capital punishments that are employed up to the present in Indonesia against people sentenced over two decades ago, when the anti-communist terror had reached a peak. It is difficult to believe that it is namely the activity of the Communist Party of Indonesia, deep underground all this time, that is pushing the government to such extreme measures. We also note that each instance of such executions, when it becomes known, inflicts serious harm on the prestige of the country. It is notable, however, that as a rule the next in the series of executions or purges coincides in time with the revival of public opinion, debates surrounding the evolution of the political system or a rise in social ferment. At least part of the military evidently considers the revenge against their enemies, postponed for decades, as a means of showing all of its opponents, regardless of political orientation, in whose hands all of the power lies and that the army will not stop at any method of employing that power.

The strict line of preserving the status quo in the system of state power defined the behavior of the military leadership during the period of preparations for the regular Golkar congress that was held in October of 1988. At the same time as part of the press, including the Golkar press, was persistently developing the theme of reinforcing the independence of that organization, the generals were placing the accents in quite different places. During the course of the formation of the local

Golkar organs, they furthered the mass inclusion of servicemen in them. And although the law prohibits officers and generals on active duty from holding official positions in Golkar and political parties, this ban was quite easily circumvented—the corresponding serviceman immediately retired, which in no way ruled out a return to the ranks of the army when their superiors considered it necessary.

The chairman of the parliament, Gen Kharis Sukhud, elaborated in an interview published in the newspaper *SUARA KARYA* (the official organ of Golkar) on 19 Aug 88 that the inclusion of the military in the structure of those organizations had the aim of ensuring the vitality of Pancasila. The journalist became interested in whether Golkar could manage that task independently and, naturally, heard in response a reference to the infiltration of communists into its ranks. "Golkar should not be cut off from the army," the general elucidated. "And as for independence, that is a relative concept."

Speaking at the opening of the 4th Golkar Congress on 20 Oct 88, President Suharto declared that "liberalism and communism" have no future on Indonesian soil. He described in negative terms the historical period when a parliamentary system was in effect in Indonesia and a mass communist party existed legally. These statements by Suharto were taken as a direct warning addressed to those circles that feel that the development of bourgeois-democratic potential in Golkar is desirable.

Lt Gen (Ret) Vakhono, a participant in the anti-colonial war and subsequently commander of a military district and the Strategic Ground Forces Reserve, then ambassador to Burma and governor of East Java, became the chairman of the Central Leadership Council of Golkar.

The congress once again elected Suharto to be chairman of the Board of Guardians of Golkar. This board, consisting of the highest officials of the republic, is endowed with extraordinary powers in relation to the organization, and especially the right to abrogate any decision of the leadership of Golkar, stop the activity of the leadership and convene an extraordinary congress of Golkar if the board feels that a danger has arisen to the "existence of the organization."

The declaration adopted by the congress placed emphasis on verity to the principle of the "dual function" of the armed forces, which assumes a recognition of their commanding position.

The provisions of this declaration are contiguous overall with the program directives of state power in the realm of foreign and domestic policy.

The statements of the new leader of Golkar, Vakhono, and other officials testify to the fact that Golkar is considered as before to be primarily a "collector of votes" in favor of the government at regular elections. Even the president, receiving the new leadership complement of Golkar, asked its members to pay particular attention to working with young voters.

### The Prospects for Capitalist Modernization

The events of 1988 surrounding the problem of democratization and in connection with the Golkar congress have illuminated anew the traits of the overall political process in contemporary Indonesia. The liberal-democratic aspirations that are being discussed, objectively reflecting a need for the social development of the country, are gradually penetrating to broader and broader segments of society. This circumstance is acknowledged by practically everyone, including the military. The tactics of the leaders of the armed forces, as we have seen, consist, without cutting off debate on this issue in excessively crude fashion, of not allowing the process to proceed outside the bounds of recognizing the "dual function" and being transformed into a broad public movement for democracy.

Taking into account the extensive spectrum of prerogatives, authority and capabilities concentrated in the hands of the army, this situation could be preserved for quite a long time to come. The conclusion of Indonesian scholar and political scientist Yuvono Sudarsono, who wrote that "the circumstance that in the next 5-10 years the armed forces will continue to retain the decisive role in the country must be acknowledged as a political factor," could be well-founded in this sense. This evaluation seems realistic, insofar as the Indonesian political scene has as yet no organized force that could become a rival to the army with any real claim to administering or taking part in administering the country. Golkar is not yet an exception.

Indonesian scholar Ibragim Ambong, for example, feels that if the results of the evolution of Golkar toward greater independence make themselves felt, it will happen in 5-10 years, when a new generation of leaders with solid roots in the lower ranks of the organization grows up as a counterpoise to the current one, primarily designated from the upper reaches of the military.

All of this, it would seem, confirms the correctness of those who feel that the army in Indonesia has not yet exhausted itself as the ruling force of the capitalist modernization of Indonesian society. The fact that the country has so far emerged from crisis situations engendered by economic difficulties with a minimum of detriment from such situations seemingly also speaks in favor of this. One could in just the same way doubt how much the Indonesian bourgeoisie is ready (objectively and subjectively) to manage the development of society on the basis of representative democracy and remain in step with the population and the contradictions wracking it without being protected by the army, ready to take on the making of unpopular decisions, their execution and responsibility for them.

The point is something else, however. The development of events shows that the army intends to keep for itself the role of focus and originator of all political power and political initiative in the future as well by all means,

leaving all remaining groups just as junior partners with the right to a loyal voice of advice.

This rejection of the very idea of democracy "from above," the intention essentially to perpetuate their own exceptional form of rule, is the greatest danger to the future development of Indonesia, in the opinion of many observers who sometimes adhere to the most varied of world views. The newspaper WASHINGTON POST has noted that in the evaluations of American political scientists and diplomats, "an acknowledged mechanism for the implementation of changes is lacking" in Indonesia, as in a number of other ASEAN member nations, and "the potential opportunity for instability is thus always present," and thus the most alarming problem for the future is the need for democratization, which is lagging behind the pace of the striking economic indicators of this region.

There are no grounds to accept as a given as before that this instability, engendered by the schism between the levels of economic and political development, will without fail become a prologue to positive changes and the consistent equalization of levels. It cannot be ruled out that repression in both spheres could be the result. That is why the necessity of steps in the direction of a democratization of socio-political life is perceived by many in Indonesia today as a condition of the preservation and augmentation of the economic results that have been achieved and the transition from economic to social development.

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### Taiwan's Economic 'Miracle'

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 3, Mar 89 pp 23-26

[Article by Candidate of Economic Sciences A. Maksimov: "The Taiwan Phenomenon"]

[Text] For the course of many years, one month during the summer the Taiwanese authorities have assembled the private entrepreneurs that have demonstrated the best results in exporting the products of their enterprises and given them awards in a solemn atmosphere. In June of 1986 some 350 industrialists and traders whose exports surpassed 10 million dollars, along with another four thousand businessmen who received over a million dollars from exports, were invited to this ceremony. To the surprise of those assembled, however, the welcoming speech of the director of the Foreign Trade Council reported that this was the last time the ceremony would be held. He explained that "the government will encourage entrepreneurs to devote equal attention to both imports and exports."

Can it really be that Taiwan, whose exports comprise some 55 percent of its GNP, has rejected the strategy of

export orientation that has provided for the development of its economy over recent decades? This decision can seem unexpected only at first glance. After all, Taiwan has been transformed literally over the last few years into one of the richest nations in the world. Its currency reserves grew more than ten-fold from 1981-88 to 72 billion dollars (that is, by the way, more than twice the currency reserves of Saudi Arabia, Kuwait and the UAE taken together). Taiwan is second in the world today for that indicator (after Japan), and first on a per-capita basis (over three thousand dollars for every Taiwanese). To this must be added the gold reserves of the government, which according to some estimates total some 15-20 billion dollars.

These enormous gold reserves—a consequence of the constant and considerable excess of exports over imports—are the object of envy for the majority of the developing countries, but they have turned into a "headache" for Taiwan. What is so bad, it would seem, about being rich? But in economics any extreme, be it a large negative or positive net balance of payments, leads to unpleasant consequences. The money supply in circulation goes up sharply with any rapid increase in currency reserves, which can become the basis for inflation. In 1986, to the extent that Taiwanese exporters translated foreign currency into local currency, the currency reserves grew by 1.2 billion dollars a month. The monthly increase in the money supply in circulation calculated on an annual basis exceeded 20 percent, which significantly exceeded all government moves to control the money supply.

A no less complicated issue is the utilization of the accumulated currency reserves, of which at least 80 percent has been invested in various securities in the United States. A marked decline in the exchange rate of the dollar in 1987-88 led to losses of many billions for the Taiwanese government. Taiwan's large positive net balance of trade, on the other hand, is leading to a revaluation of its monetary unit—the new Taiwanese dollar (NTD)—against other currencies, and first and foremost the American dollar. The cost of the NTD is going up—and the marketability of Taiwanese exports is falling accordingly—since the price of Taiwanese goods as expressed in the currencies of the purchasing countries is going up. The exchange rate of the NTD against the U.S. dollar went up 25 percent over one year alone, and in 1987 the American dollar was worth 30 NTDs as compared to 40 the year before (true, in 1986-87 this revaluation of the NTD had little effect on Taiwanese exports, since the value of the Japanese yen rose faster and Taiwanese businessmen were able to replace Japanese suppliers in a number of instances).

The constant and rapid rise in the value of the NTD is leading to a mass influx of so-called "hot money" into the country and an unforeseen scope of currency speculations. The reasons for this phenomenon can easily be explained using one concrete example. In February 1987 the stock of the International Investment Trust was sold here at 131 NTDs per share, while the exchange rate of



the U.S. dollar at the time was 1:35. By September 1 the value of the stock had risen to 241 NTDs, while the exchange rate was down to 1:30.1. It is not difficult to calculate that a foreign investor who risked a hundred dollars would have received 214 dollars just six months later. On an annual basis this is equal to a profit standard of 360 percent. It is not surprising that all the efforts of the Taiwanese government to stem the influx of speculative funds were unsuccessful. The Taiwanese authorities are apprehensive of letting the situation get out of control, not without reason.

Finally, the main thing. The misfortune is that the constant positive net balance of trade and, as a consequence, the rapid accumulation of gold reserves is a symptom and manifestation of an advancing crisis in the Taiwanese economy as a result of the slowdown of the investment process in the country. Up until very recently Taiwan had been able to maintain a high rate of GNP and export growth, but the private sector is striving to direct the funds it receives less and less to the expansion of production. Over 1980-87 the accumulation levels (share of capital investment in the GNP) fell from 34 to 19 percent, and starting in 1981 an absolute decline had begun in the accumulation fund. Imports of investment goods and intermediate products—the principal line items in Taiwanese imports—are decreasing as a result, which is facilitating an increase in the gap between them and exports.

The rapid growth in reserves thus reflects a stagnation in domestic capital investment. Notwithstanding the record low interest rates, Taiwanese businessmen prefer to leave their funds in the bank and not invest them in new plants and equipment. The banks are literally drowning in cash as a result: in 1986 the ratio of loans to deposits was roughly 1:2. The most popular form for investing money is gold, other precious metals and securities. Thus, when an Australian firm for the sale of gold coins opened in Taybeye in July of 1987, lines many hours long, unusual for the Taiwanese, formed near its outlets. Over a thousand coins were sold the first day. In 1988 Taiwan moved into second place behind Japan as the largest importer of gold in the world. Gold contraband has also grown sharply in recent years: according to Taiwanese estimates, at least 300 kilograms of precious metals are imported into the country illegally each year.

Such a logic to the development of events in the economy of Taiwan is dictated by structural changes in the world capitalist economy and, first and foremost, the circumstance that an export orientation founded on labor-intensive industrialization (the generator of Taiwanese development in the recent past) has to a considerable extent exhausted itself in the middle of the 1980s. On the one hand, traditional Taiwanese exports (products of the textile industry and consumer electronics) are encountering growing competition on the part of the "second wave" of the newly industrialized nations (Thailand, Malaysia, Philippines and Indonesia among others) with cheaper labor resources and, correspondingly, lower production costs. On the other hand, the

worsening competitive struggle in world markets for labor-intensive products is aggravated by a rise in protectionism in the developed capitalist countries.

Whereas in the past, being an important political card of the United States during the Cold War and a sort of "showcase" of the Western world Taiwan had access to the markets of the world capitalist economy sooner and to a greater extent than the other developing countries, today America is altering its priorities in its relations with Taiwan from political to economic ones. In July of 1986 in Geneva, for example, the Reagan administration forced Taiwanese representatives to sign an agreement limiting imports of Taiwanese textiles and clothing into the United States. This is significant for Taiwan, since it sold 2.4 billion dollars a year of textiles in the American market, totaling some 39 percent of all production in the sector. According to some estimates, this agreement alone will cost Taiwanese industry a total of 570 million dollars over the course of the three years.

It is at the same time clearly premature to underestimate the prospects for the development of the Taiwanese economy. In the 1970s and 1980s it displayed great capabilities to adapt to the changes that were taking place in the world capitalist economy and survived the cyclical and structural crises of those decades relatively painlessly. The future of the Taiwanese "economic miracle" depends on whether this country will be able to conform to the new system of international division of labor at a higher level, that is, based on capital-intensive and scientifically sophisticated industrialization.

The complexity of the contemporary situation is that the economic and social structures that were the foundation of the rapid economic growth in the recent past have now been transformed into a drag on its restructuring. Small-scale family landowning (in 1980 farms with an area of less than 0.5 hectares were 43 percent, and over two hectares just 2.5 percent, of the overall number of farms) is impeding mechanization and further rises in the efficiency of agriculture. The sway of small enterprises in industry and its decentralization are hindering the rise in the level of capital-intensive and scientifically sophisticated production that is essential to preserve the marketability of Taiwanese exports. The state, which is actively supporting and directing the structural restructuring of the economy, takes on especial significance under these conditions.

In agriculture the government is trying to expand the scale of land being worked and accelerate the widespread application of mechanization with the aid of farm cooperatives, which unite over a million people in Taiwan. Farmers have created teams in recent years through the cooperatives to fulfill state contracts for the receipt of these or those agricultural products. At the end of 1983 over 150,000 farm families were engaged in such group farming.

As early as the 1970s the government developed a program under the name of "Ten Basic Projects" that

included six major facilities in the realm of transport, three in heavy industry and one in nuclear power engineering. This program became the point of departure for capital-intensive industrialization: heavy industry has developed at almost 1.5 times the rate of light industry in Taiwan since 1976. Today Taiwan supplies not only textiles, consumer electronics and toys to the world market, but also rolled metal, metal items and output from the chemical and machine-building industries. It began selling its own motor vehicles abroad right after South Korea. In 1986 the first lot of 5,500 motor vehicles was successfully sold off in Canada. The Taiwanese vehicles are the product of the Ford Lio Ho Motor Company, a joint venture in which 70 percent of the capital belongs to the American Ford Company and the technology is offered by the Japanese firm of Mazda.

The possibilities for the capital-intensive industrialization of Taiwan, however, are limited. With the worsening conditions of resource utilization in the world capitalist economy, the economy of the island, poor in natural resources, will hardly be able to compete with other liberated nations that are actively developing their own heavy industry relying on their own mineral and power resources (Brazil and India in heavy metallurgy, for example, or Mexico and Indonesia in chemicals etc.). The future of Taiwan is in the export of complex and scientifically sophisticated products. The leading product lines, in the opinion of Taiwanese economists, should be personal computers, complex semiconductors and the products of biotechnology. One of Taiwan's strongest advantages in this realm is the efficient system of education. The Taiwanese universities graduate a thousand specialists a year with baccalaureate degrees and a hundred with master's degrees in the biological sciences alone. Their level of training is frequently better than American specialists. Where Taiwan suffers a shortage is in scholars with experience working in industry who are able to act as leaders of scientific-production programs.

As practice shows, however, Taiwan will be able to enlist the collaboration of scholars of Chinese extraction who are working at American corporations and universities. Even though they are not offered their former level of pay, they are attracted by the independence they are offered in research or the opportunity of discovering their own field. The government thus invited some 50 doctors of sciences from the United States, half of whom came for permanent residence and half of whom agreed to work under annual contracts, to staff the Central Laboratory for Molecular Biology and the Institute of Biomedical Sciences that have been created by the government to expand scientific-research and experimental-design work in the realm of biotechnology.

The state is rendering financial support to the first companies in the realm of biotechnology. State corporations, for example, have taken on 75 percent of the initial capital investments of the General Biologicals Corporation. Representatives of the government have declared therein that if the company's activity proves to be

profitable, these shares will be purchased by private investors. The prospective directions of the General Biologicals Corporation are envisaged to include the creation of preparations for cancer diagnostics and the manufacture of various hormones, vaccines and antibiotics for use in animal husbandry. If it is taken into account that Taiwan slaughters up to 10 million head of pigs alone each year, it can be assumed that the products of the new company will be successful. Taiwan, taking its first steps in biotechnology, however, does not intend to limit itself to the domestic market. According to some estimates, this country will be able to take one to two percent of the world market for biotechnology, totaling 0.5-1 billion dollars a year, as early as the year 2000.

Taiwan is relying, as in the past, on the active involvement of foreign capital, primarily in the form of joint companies, in the development of new and high-technology sectors of the economy. A joint enterprise for the manufacture of large-scale integrated circuits that was created in 1986 with the participation of the Taiwanese government (48.3 percent of the capital) and the Dutch Philips MNC [multinational corporation] (27.5 percent) will become the foundation of national production of complex semiconductors. The remaining shares of stock were distributed among private individuals. This company uses an experimental plant that used to belong to the government Research Institute for Industrial Technology, and its launch is scheduled for 1989. This will provide a new impetus for the development of electronics on the island and make it possible to put out more complex products of better quality.

The rapid development of high-technology sectors, however, does not signify oblivion for the traditional spheres of the economy. Textiles and consumer electronics will play a deciding role in Taiwanese exports for many years to come (42 percent of all the country's export income fell to their share in 1984). The survivability of these sectors, however, depends on equipping them with new and modern equipment and incorporating automation and standardization. In recent years the government has been creating special demonstration centers for automation where private entrepreneurs are offered consulting and practical assistance in incorporating elements of automation at their enterprises. The first steps have been taken in the realm of standardizing the basic parts and constituent elements of product output. The Bureau of Industrial Development, which has already been able in particular to achieve the standardization of the basic components of Taiwanese television sets with a positive effect on both their quality and production costs, is occupied with these issues.

An entire structural and technological restructuring of the economy, in the opinion of Taiwanese economists, will hardly be possible without a liberalization of currency and trade operations. Otherwise the rise in the value of the NTDs will impede the influx of foreign capital and preserve the high rate of export growth. After a series of partial measures that were unsuccessful, the Taiwanese authorities decided on the serious step of

weakening currency controls. Beginning in the summer of 1987, every Taiwanese can effectively transfer up to five million dollars a year abroad without restrictions. As a result, Taiwan is becoming a major supplier after Japan of financial resources to world credit markets.

Industrial companies, on the other hand, have begun to export entrepreneurial capital, shifting some of their operations to regions with cheaper labor resources (Malaysia, Thailand, the Philippines). Restrictions on the activity of foreign capital in the country have been eased considerably. Whereas earlier foreign companies could invest capital primarily in export-oriented sectors of industry—first and foremost in electronics—trade, the services sphere and sectors of industry that are working to satisfy domestic demand are now open to them as well. A process of liberalization is proceeding in the sphere of foreign trade, chiefly through reductions or eliminations of trade tariffs.

The economy of Taiwan is today undergoing a complex and transitional period over the course of which a sharp slowdown in the rate of development or even a decline in production is possible. In the mid-term future, however, this representative of the group of "industrial exporters" will obviously find its place in the system of the international capitalist division of labor in a new spiral of scientific and technical progress. The rate of its economic development will slow compared to the prior period, but it will remain one of the highest in the developing world as before (according to the estimates of the Taiwan Economic Planning and Development Council, the average annual growth rate of the GNP will be 6.5 percent over 1986-2000). Taiwan will remain a major exporter of capital, since it will preserve a positive net balance of trade and balance of current transactions (according to the estimates of the International Monetary Fund, the latter will total 11.2 billion dollars in 1986-1990 and 13.5 billion in 1991-1995).

In analyzing the economic development of Taiwan overall, it is essential to avoid one-sided evaluations and not reduce all of its entirely real economic successes to an "illusory prosperity." There is no doubt that the "Taiwanese economic miracle" has occurred under exceptional and, it could be said, unique conditions (American financial aid in 1949-1964, the special nature of economic relations with the West, the financial support of the Chinese community abroad etc.). On the other hand, the rapid capitalist transformation of society could hardly have been possible without certain social costs for the broad mass of workers.<sup>1</sup> It would be a serious error, however, not to see behind all of this that Taiwan has been able to create a quite efficient national-economic mechanism that reacts in well-defined and timely fashion to changes in the world capitalist economy. Its constituent elements are consistency and comprehensiveness in development, the flexible and controlled use of foreign capital and the defining role of the state, which initiates and actively supports all structural changes in the economy. This mechanism still awaits an unbiased researcher.

#### Footnote

1. It is just this aspect of the development of Taiwan that has been considered repeatedly in Soviet economic literature. See, for example, RABOCHIY KLASS I SOVREMENNYY MIR, 1987, No 6, pp 140-144.

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#### Gaza Strip Profiled

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 3, Mar 89 p 31

[Article by D. Pavlov under the rubric "Reader Discussion": "In the Fire of a Popular Uprising"]

[Text] Reader N. Rakhmanov (city of Ufa) writes: "The press has reported that the proclamation of a Palestinian state took place on 15 Nov 88. The Gaza strip was included in it. Please tell us about that region."

The Gaza strip (a territory of 350 square kilometers and population of 650,000 people) is located on the south-eastern coast of the Mediterranean Sea. Its administrative center is a city of the same name that has existed since antiquity. During the Middle Ages it was part of the Arab Caliphate, then Egypt, and from the 16th century to 1917 was under the Ottoman Empire. In 1920-47 the city of Gaza was part of Palestine—a British mandate territory.

On 29 Nov 47 the United Nations General Assembly adopted a resolution to create two states—an Arab and a Jewish—on the territory of Palestine. The city of Gaza and the adjoining territory, which became known as the Gaza strip, were included in the Arab state. After the Arab-Israeli war of 1948-49, this region shifted to the control of Egypt. In June of 1967 the ruling circles of Israel, encouraged by the Western powers, unleashed a war of aggression against the Arab states, as the result of which the Gaza strip has been occupied by Israel.

The Strip with the city of Gaza has two other cities as well—Rafah and Khan-Yunis. Rafah is divided into two parts. The western part has belonged to Egypt since April of 1982, when in accordance with an Egyptian-Israeli agreement, Tel Aviv withdrew its troops from the Sinai Peninsula.

The Gaza strip is land with a beneficial climate. Grapes, citrus fruits and olives are grown here and wheat, barley and various vegetables are cultivated. The coast of the Mediterranean in this region with its excellent beaches, abounding in dunes, as journalists who have visited there, is reminiscent of our Yurmala. Only the landscape is adorned with palms instead of pines.

The Palestinian people have been forced to live under the heel of Israeli occupiers for over 20 years now. They have been subjected to discrimination in all spheres of public life. The occupation powers treat the Palestinians



as second-class citizens. A report of the International Labor Organization for 1987 noted that 15 percent of the able-bodied population in the Gaza strip are deprived of work, and those who are employed in production encounter racial discrimination in wages and can be tossed out the gates of the enterprises practically at any moment. The Palestinian workers, the report emphasizes, are subjected to harassment on the part of the police and military authorities. The Israeli powers try to impede the activity of the Palestinian trade unions in every way possible, closing the facilities belonging to the trade unions at their discretion, confiscating documents and arresting and deporting trade-union activists.

As for medical care for the population of the Gaza strip, it does not, as is noted in the report of a representative of the Palestine Liberation Organization at the 40th Health Care Assembly, satisfy even the elementary needs of the population.

The Gaza strip was the arena in which the spark of the uprising of the Palestinian people on Israeli-occupied Arab lands ignited. The leaders of the uprising planned to begin it somewhat later, but life, as often happens, accelerated the development of events.

On the morning of 8 Dec 87, an Israeli military tractor plowed at high speed into a bus in which Palestinians were traveling to the city of Gaza. Four people were killed and five injured as a result. The Israeli authorities, with their characteristic contempt for the Palestinians, did not even conduct a formal investigation of the incident. The next day, December 9, protest demonstrations began in the student village at the University of Gaza that encompassed the whole strip in a few hours. The occupiers came down on the population with harsh repressions. They opened fire against demonstrators in the Palestinian refugee camp at Jabaliya (north of Gaza). An 11-year-old boy was killed and many Palestinians were wounded. On December 10 a wave of protests and demonstrations rolled over the cities and towns of the West Bank of the Jordan.

The demonstrations of the Palestinians in the Gaza strip, as well as the other occupied Arab lands, are guided by a United National Committee for coordinating the actions of the uprisings. The Palestinians use stones, sticks, slingshots and bottles with flammable liquids in the fight against the occupiers, refraining from the use of firearms. At the same time, the Israeli occupiers, along with firearms, are resorting to inhumane methods of reprisal against the Palestinians: breaking legs, throwing people from army helicopters, pouring gasoline on them and lighting them on fire, throwing demonstrators into holes in the ground and covering them with earth using bulldozers. The activists of the popular movement are deported abroad and deprived of their homes. And Tel Aviv recently acquainted the world with yet another police innovation—plastic dye bullets. Its traces cannot be washed off for a long time.

The terror and repressions, however, are not able to overcome the will and aspirations of the Palestinians, including in the Gaza strip, for freedom.

The legal act of proclaiming a Palestinian state, recognized by dozens of countries including the Soviet Union as well as the 43rd Session of the UN General Assembly on the issue of Palestine, will doubtless facilitate success in the struggle of the Palestinians for the creation of their own independent state.

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### Changes in Chinese Political Writing

Moscow AZIYA I AFRIKA SEGODNYA in Russian  
No 3, Mar 89 pp 39-42

[Article by Doctor of Philological Sciences I. Lisevich under the rubric "Culture, Literature, Art": "'The Literature of Interchange'—The Contemporary Chinese Essay"]

[Text] Social commentary has always occupied a noteworthy place among the ranks of contemporary Chinese literature. Even during the sadly well-known Cultural Revolution, when the sphere of artistic creativity narrowed to the limit and writers, to put it mildly, were out of favor, this genre remained alive and was transformed into the so-called "sketch of new heroes." This was, naturally, literature of a particular sort, and it can be called artistic only with a certain stretching. Such sketches nonetheless became most widely known, and their heroes, joyously repeating the call "First, do not fear difficulties, and second, do not fear death," were known by the whole country.

The images of these heroes had something from popular prints—gaudy, "intelligible," not reckoned for the the most discriminating taste. "The medicine is too expensive, give it to my class brothers!" in refusing an anesthetic while dying of cancer. "It's nothing, it's my femininity that is frozen!" answered the young girl with a smile to the concerned question of the secretary of the party organization, her skin falling in sheets from her frost-bitten face. "You suffer grief, then you don't become a revisionist," says the peasant in an edifying manner, refusing to move to a new home. "You can manage without a woman, but you can't manage without socialism!" profoundly notes another, hewing to a strict political line in his own family. The extreme asceticism and self-sacrifice, on the one hand, and the unconditional and unhesitating devotion to the leader, on the other, are the outstanding features of the heroes of the essays of those years.

New times ensued after the condemnation of the so-called "Gang of Four." Personalities of a completely new type began to replace the prior "soldiers of steel" and "cogs" of the social machinery. Those whom the Cultural Revolution had accused of being enemies—its

innocent victims and conscious opponents—began appearing in the essays. Whereas earlier the hero of the sketch, posthumously canonized in it, was either a serviceman or a poor peasant, now the "intellectual element," as they call the intelligentsia in China, began moving to the fore: teachers, physicians, scholars. Then came a period of economic reforms, the era of the "four modernizations," and the hero of the hour and, consequently, the sketch became the "business person": a manager, production commander or major engineer. This hero currently occupies a visible position in these features, although he is now being crowded by the "anti-hero"—"the simple man on the street" with a fate sometimes undeveloped or developed capriciously. A series of reports of the well-known "Peking man" type was devoted to him—a kaleidoscope of portrait sketches wherein the hero essentially becomes the nation overall or at least part of it. The aim of such features is not the glorification and propagandizing of the example of the best, but rather simply information, bringing reality to the awareness of the reader without any idealization whatsoever.

As for the heroic personalities, today the Chinese features sometimes put them in places they have never been before. Here, for example, is a sketch by Qian Gang called "Nuclear Flame" (the journal *RENMIN WENXUE*, 1987, No 3). Even its subtitle, "The Director of the Ninth Scientific and Technical Institute of the Ministry of Nuclear Power Engineering, Deng Jiaxian, and his Business," leaves no doubt that one of the creators of the Chinese atomic and hydrogen bombs has been selected as the hero. It is a voluminous sketch—over a printer's sheet, written in non-standard and clear fashion. The author uses both typical reporter's devices and eloquent figurativeness along with the dry language of official documents. Here is a medical bulletin about the illness and death of the sixty-year-old hero of the essay, and then two tones of the same sentence seemingly debating each other: "Life's path has ended... Life's path has ended?" This sentence in its dual version is repeated again at the end of the sketch, and after it follows the words of the wife of the deceased and the reply of his friend that the author has selected as a coda: "If life could be repeated," wrote Xu Luxi to the childhood friend of Deng Jiaxian, Yang Zhenning, "Jiaxian would probably have chosen the same path!" "Yes," Yang Zhenning answered her, "...since such was his nature, such was he. A few such people can be found who are able to dispose their lives that way, and we can only be glad for him."

The sketch opens with a description of the nuclear test range near the salt lake of Lobnor, where the time of the detonation of the first Chinese atom bomb—15:00 hours on 16 Sep 64—is recorded for eternity on an obelisk. Between this beginning and the end are 22 years of exhausting work, the greatest nervous tension, a life split between the command bunker of the test range and the apartment in the capital where the family remained. A secret life protected from many everyday adversities, but at the same time filled with completely unique burdens.

The image of Deng is presented in interesting and non-standard fashion with a number of curious details. It is enough to mention his meeting with an old friend and Nobel Prize laureate who was working in the United States. "When Yang Zhenning visited China in 1972 for the second time, the appropriate institutions permitted Deng Jiaxian to receive his childhood friend." Upholsterers were sent to the home in short order and put the bookcases in order, removed the old furniture, erected a luxurious trumeau, brought in a couch from an official office, polished the floors, brought in melons, chocolate and a thermos, and for some reason organized a film showing for the residents of the neighboring apartments. The Nobel laureate, however, proved to be surprisingly meticulous and almost reduced all the efforts to naught when he asked suspiciously where the child's bed was. Deng and his wife had to lie and say that the child lived with his grandparents...

The story of the testing of the hydrogen bomb, albeit somewhat jarring in that the author sings the praises of a weapon of mass destruction, is superb and even poetic. The scene of the visit of party and government leaders to the dying man is reminiscent of the sketches of earlier times. The joyous smile of Deng when receiving a medal, the modestly spoken "I would like to say a few words," the speech full of high-flown phrases, prepared secretly "after a blood transfusion," the inhuman restraint of the man suffering from severe pain, who "after his last 'thank you,' literally after the conclusion of his deadly struggle, having expended all of his force," fell choking with an ashen face on the pillows—all of this vividly resurrects in the memory the former "warriors of steel." But a hero should be a hero.

The episode with the childhood friend is curious nonetheless: before he left he asked the scientist with enviable directness the question, "Jiaxian, I heard in America that two American citizens—Han Chun and Yang Zao—helped to make the Chinese atom bomb. Is that true?"

Deng Jiaxian was shocked. "He started to open his mouth, but closed it immediately. 'Get on the plane' was all he could finally say."

"As soon as the plane took off, Deng Jiaxian immediately reported to the leadership the question he had encountered. Prime Minister Zhou Enlai gave him explicit instructions: he could tell Mr. Yang that the Chinese atom bomb was entirely designed and created by Chinese. An exceedingly agitated Deng, wasting no time, wrote a letter and urgently dispatched it by plane to Shanghai. Yang received this important communication at a banquet that the Shanghai 'revolutionary committee' was giving in his honor. When, opening the envelope, he saw the words written in Deng's familiar handwriting, 'Entirely designed and created by Chinese,' the tears poured irresistibly from his eyes. Chinese, Chinese! He rose and went into the washroom... When in 1957 Yang was to receive the Nobel Prize in Sweden, the Nobel Committee asked him to present an English-language text of his speech. And at this crowning

moment of his life. Yang answered, 'No, I will write in Chinese.' 'But a Chinese text cannot be printed!' he was informed at the committee. But he was adamant: 'Then run my manuscript off on a duplicator!'"

The feature by Han Zuorong and Wang Nanning "Taiga Fire in the Daxinan Mountains" (RENMIN WENXUE, 1987, No 7) was a noteworthy event in the genre of the "heroic sketch." This is perhaps not a sketch, but rather a documentary novella of five chapters, one of a multitude of feature works on an unprecedented natural disaster—a terrible forest fire that covered an enormous area of northeastern China. The well-known prose writer Liu Baiyu called a series of features devoted to the mass heroism of the "hot summer of 1987" "The Quintessence of the Spirit of the Chinese Nation" (the newspaper WENYIBAO, 1 Aug 87). "The figurative language of our writers engraved these terrible twenty and more days and nights deep into the hearts of the people of our generation so as to transmit it to new generations. Yes, it is namely the spirit of this great nation that creates and will create a new and even more shining and even more resplendent world of the future!" writes Liu Baiyu about this feature.

The most varied of people could be the heroes of these sketches—travelers researching the origins of the Yangzi or earlier inaccessible summits of the Himalayas, soldiers mastering new military technology, entrepreneurs implementing new forms of economic collaboration. A critical thrust, however, has taken on a larger and larger share in the Chinese periodicals over the last decade. The most noteworthy works of this type would at least include the essay by Liu Banyan, "China on the Thirty-Seventh Floor" (RENMIN WENXUE, 1986, No 8). There is no hero in it in the usual understanding, although the author acquaints us with Zhang Xinsheng, the deputy director of a giant new hotel in Nanking and who, as opposed to a manager of the old type, does not repeat at every step that "politics are the commanding force," but rather tries to get into all the nuances of his business. But the main hero is not him, but rather China, which still has to come up to a contemporary level.

The author suffers painfully from the backwardness of his country, the lack of culture among the masses, the dishonesty, sluggishness and dullness of other cadres, the low level of production and technology and, finally, the sentiments of dependence and apathy that embrace many, and he does not fear to speak of this aloud. "The reluctance to recognize our own backwardness and the fear of glasnost are exactly one of the reasons for the backwardness and various repulsive phenomena," declares Liu Banyan. "On the contrary, implementing an 'open doors' policy and permitting an enormous number of foreigners to penetrate into the country would testify to the fact that we are no longer afraid to show others our shortcomings." And there are, alas, no few shortcomings. And they began to manifest themselves from the very beginning of construction of the hotel, being executed according to a foreign design.

The plan of operations was thought out to the smallest detail and the deadlines were established in clear-cut and well-founded fashion. But they did not take into account the "specific local nature"—the petty tyranny of bureaucrats. An anonymous letter on foreign-currency abuses in the course of construction arrived, and construction was halted for eight months. "It is impossible without controls, of course, but is it really obligatory to halt the work?" says Liu Banyan with indignation. The next time a critical article was published in a newspaper—"and a Chinese is accustomed to thinking that every word in the newspaper expresses the will and opinion of the highest authorities!"—the construction was halted again, now for four months. "The idle time has been cut in half, progress is obvious!" the author asserts ironically.

Strictly speaking, China ended up "on the thirty-seventh floor" at the whim of bureaucrats. Someone "up above" gave an "ironclad" directive to cut by half the cost of a hotel room. In order to fulfill this directive, they had to make the hotel multistoried, considerably increasing the construction spending thereby, including in foreign currency, although such a skyscraper was simply not needed in Nanking—after all, a comparatively small number of foreign tourists comes to the city. And then another directive came down "from above"—put the first eight floors of the unfinished building into order by May 1. This became an utter disaster for the service personnel. The elevators did not work, the water supply was inoperative, the bathrooms were dirty with cement and fuel oil after the finish workers and all of this had to be scraped off by hand at night on the run, dragging water in buckets to the eighth floor.

An understanding of the significance of the level of service did not come at once either: after all, you can't put guests into a luxuriously appointed hotel room and consider that nothing else will be required of you. And here Liu Banyan is merciless toward his countrymen, merciless toward the lack of culture in general. He recalls how he visited Japan in 1940: "Even then in Japan, even in a hotel of the lowest class, it was not necessary to write in the rules for the service personnel, 'Fine of two yuan for spitting on the floor.' Five years later Japan suffered defeat in war and China was a victor. Some forty years and more have passed since then, and here even at a hotel of the highest class you still have to inculcate in personnel who have completed strict selection and special training that you cannot shout loudly and pick your nose!"

Our countrymen, the author writes, must learn elementary courtesy and get accustomed to saying "please" and "excuse me."

Hotels have effectively not existed in China for the course of many years—no one even thought about tourism as a form of relaxation, and people on business trips stayed in the so-called *zhadatsuo*—"homes for arrivals." It was not difficult to service these lodgers, they were fed using coupons of just two categories and watched television together; they needed clean linen and



hot water—all the rest they did for themselves. And boorishness flourished in magnificent color on this soil. "You can go out for shopping whenever you want, go to the movies, talk about your favorite stories, engage in business—in short, work or idleness, who cares. This has continued for so long that a certain style of work and life has been devised, a special spiritual inclination and even outward appearance—slovenly, sloppy. For a 'home for arrivals' you can imagine shops, department stores, cafeterias, hospitals, a post office, public transport, railroads, airlines—in general any facility for consumer services: everywhere one and the same."

Other themes for other times. For many years the Chinese press has schooled the reader in the image of the ruddy-cheeked and rosy child as seemingly the incarnation of the total idea of a happy childhood. And now the journal YU HUA (1988, No 3) offers up the sketch "City Urchins," about the children of the Shanghai streets. Here is Yang Ping, whose mother had died. The older sister, in order to feed herself and her younger sister, took to the street. She died a year later as well, and the twelve-year-old Yang Ping took the simplest path—she spends the night with a man for just five yuan, a little over a dollar at the official exchange rate, the cost of a decent meal. And now here is the eight-year-old Linzi, who begs the head of the children's foster home not to send her home—her ardent teacher-father broke her leg with a stick...

San Mao was luckier, having become one of the distinctive sights of Shanghai. Up until nine years of age he was raised by his grandmother, and when she died, he boldly plunged into "business life" and was so successful in the everyday languages of Japanese and English that a foreigner rarely spared a note for the quick young boy. "Go to school, twelve is not too late!" the workers of the foster home try to convince San Mao, perpetually hanging around the foreign-currency stores. But he is quite satisfied with himself. And the next wave of urchins is approaching—the "strays," a new generation, seemingly from well-off families, even the children of officials: healthy, well-fed, sometimes not forgetting to grab some money "in flight," dressed in jewelry. What has brought about this enmity for their paternal homes? The author does not conduct further investigation into the causes for the divorces and conflicts of the parents, but perhaps there is something else: the children, after all, are reacting painfully and acutely to the hypocrisy and lies that so often attend "success in life..."

And now an essay about teachers by Su Xiaokang and Zhang Min—"Sacred Unrest" (RENMIN WENXUE, 1987, No 9). Problems so familiar to all—and Russian names pop up now and again: "The teacher Makarenko," "Pushkin with a wheelbarrow..." The latter was simply unlucky: he finished the Russian department not long before the Cultural Revolution and had to consent to any work, do what he was ordered. His follower Makarenko achieved much, but at what a price! Her pupils enter higher educational institutions and academies, their success rate is high, she is satisfied with

them, but she herself has high blood pressure, heart trouble, an inflammation of the lymph nodes and changes in the fundus of the eye. At home a half-blind husband that she literally has to lead by the hand... The profession of pedagogue had long ago lost its prestige—they recall it, after all, only on "Teachers' Day"! They go to the teaching institutes "in grief," you don't entice able teachers there, since they know in school that it is a difficult and ignoble business.

The essay time and time again mentions the "square meters" of "living space" in which the teachers and mentors of the younger generation exist. Two dark and cold little rooms low leaky roofs, 18 square meters for six people—here is where the honored teacher lived right up until his death. He could not speak during lessons for a long time due to coughing. Another instructor with thirty years of service huddled with his family of eight in an area of 21 square meters; ultimately ending up in the hospital (liver cancer), he could rave only about his "apartment," his relatives had to deceive him, telling him that "they had received a three-room apartment"; then the unfortunate man was relieved, "closed his eyes, let his hands fall and went off into the sunset."

One typical feature of contemporary China is the contacts with the outside world, which have arisen quite recently. It should not be thought that all restrictions have been removed—this is far from being so, but in our time the rank-and-file Chinese, for example, can entirely realistically visit America. The author of the essay "Daydreams of New York" (RENMIN WENXUE, 1988, No 2) comes to his friend, the artist Ma Jie, who had left for the United States six years earlier without knowing a word of English, and was ultimately able to attract the attention of the New York public. No, he had not become a rich man—the new arrival went to a wretched neighborhood populated with blacks and Latin Americans, both making ends meet with occasional earnings, or else fed by the generosity of the people of the Salvation Army, striking in their green overcoats obtained from an old-clothes dealer even to New Yorkers, who, it seems, are difficult to surprise with anything. And the guest nonetheless could visit wonderful museums and exhibits, take courses in English, and—the main thing—observe a world so surprising and unaccustomed.

Ma Jie is depicted in especially lively fashion in the essay—a person who for the author seemingly represents a bridge between two worlds, between China and America. Not at all the customary stereotype, he is least of all similar to the former Chinese heroes, whose first duty in the world of capital was vigilance. Impulsive and not bound by convention, he did not hesitate to accept the crumbs of charity—and proudly pays six dollars for a ticket that there was no need to spend, he is glad to help the poor and those sick with AIDS—and here he is photographed as a "marvel from abroad," he is lazy and fantastically enterprising at the same time.

And as for America... It is recalled that a member of a Chinese writers' delegation that visited New York and

San Francisco in 1983 wrote an essay about the "island of Angels," where a quarantine for Chinese immigrants awaiting entry visas was located before World War II. The author related with anger and indignation the harsh conditions of their existence, equating their lot with the fate of the Negro slaves from "Uncle Tom's Cabin," but the fact that, out of all of contemporary America, he felt it necessary to note this museum barracks says much. Today the person of literature considers America in a different perspective altogether. Earlier they likened the skyscrapers of New York on the horizon as the teeth of dragons, today they are compared to bamboo shoots...

The author of the essay naturally see the dark sides of American reality, but the requisite indignation is missing from the text that flows from his pen. He can relate with humor a slum street never cleaned and fouled from dogs on the corner of which nonetheless hangs a notice: "Fifty Dollar Fine for Dog Walking." He can invite the reader to steal a glance into the window of a neighboring house, where some couple walks around perpetually naked, where an insane old man always puts antlers in the window in his absence, while someone never turns on the secret light and uses just a strobe light. He can simply share a feeling of the slow pace of his own life in the furious rhythm of New York, where he feels himself a fisherman with a rod sitting on the bank of a river. The author's parting with the gigantic city is accompanied with an involuntary sadness. "Here I was just a piece of fluff on its body, but in parting I carry away its breath, it is a giant that remains in my heart... Good night, New York!"

And what can you say about the conclusion of critic Guo Dong from the newspaper WENYIBAO (2 Jan 88): "The most exciting plot has become considering the ideas of contemporaries about the mutual relations of the sexes..." (the article "Observations of Social Commentary Devoted to 'Social Problems'")? This is undoubtedly a step forward. A sanctimonious asceticism has been characteristic of contemporary Chinese literature in general for many decades, but now commentary is also being written about matrimonial infidelity, "love in the Western manner," prostitutes and abortions, repeat marriages and unmarried women who have eloped with their loved ones, they are writing about the traditional "wedlock without love," violations of civil rights in the realm of family and marriage and about the fact that the attitudes of the authorities and public opinion toward the feeling of love that took shape in the bad old days have nonetheless not eased even today. Even the very names of the essays speak of the topics covered in them: "The River of Love Flows Unchecked," "'80s-Style Divorce," "Oh That Chinese Love Triangle!" "The Secret World of Boys and Girls" and "Where Did You Lose Him?"

The set of problems of today's "social" essay has expanded considerably—the earlier "prohibited" topic of love relations, of course, strikes one first and foremost, but many such problems are being raised besides that that did not reach the pen of the journalist before.

Take, for example, the essay "Black July," which achieved no small fame—it is devoted to the issue of the entrance exams to the universities that play such a tragic role in the life of many young men and women. The essay "The Land and the Masters of the Land" unmasks the bureaucratic methods of business management in the village. The essays "The Beginning of the Flood" and "The Beginning of Freedom" are devoted to the same problem of the mutual relations of the bureaucratic administrative apparatus and the people. The essayist is researching the activity of the judicial system and the problems of criminal behavior, the housing problem, questions of training young specialists and so on and so forth. Almost nothing is prohibited—in any case, the contemporary Chinese commentator is free to touch on a great deal. They are, as Guo Dong writes, "uncovering a whole series of most complex social contradictions and most profound psychological conflicts that the contemporary Chinese is encountering. Nannies and generals, history and modern times, the individual and the state, psychology and deeds, economics and politics, culture and justice... the road has never been so wide for the public-affairs commentator!"

Far from all authors, however, share his optimism. Another critic, Chen Liao, in the same issue of the newspaper in an article titled "Where is Social Commentary Going?" makes the property of glasnost the very difficult position the "light cavalry" of the literary front is in as the result of constant pressure from the enemies of "liberalization." Touching on the interests of these or those personages possessing great weight in the state apparatus, the essayists are being subjected to attacks and are becoming the targets of slander—"people of the highest echelons are demanding the punishment of the essay authors." And it is not difficult to find a pretext for this—you can always find "some incorrect detail or imprecise fact" in a sketch if you want to. Commentators are even brought to court.

It seems, however, that it is not legal persecution that is playing the main role here, but rather the overall unfavorable atmosphere that is being created by the bureaucratic apparatus, which far from every worker in the press is able to oppose. Chen Liao feel that two basic types of works that seemingly define the current face of it have been affirmed in Chinese commentary of recent years as a result. The first type are "problem" features, so to speak, "devoted to those issues that trouble a large portion of society and demand solution." The essayist "performs a broad sociological analysis of the problem and then imparts to the analysis of the issue the literary-commentary form..." but, out of considerations of safety, does not touch on anything concrete. Such as, for example, the sketches that struck a very large public chord as "The Little Princes of China" on the problem of single mothers, "The Great Schism of Yin and Yang" on the problem of divorces, and "Face to Face with the Love of Chinese Elders" on the desire of people of advanced age to arrange a life having created a new family, which is not encouraged by traditional morality.

They are reprinted in a whole series of publications, no one attacks them and therefore, perhaps, more and more such features are being published every day. "But let me say directly," Chen Liao addresses the reader, "these are not social commentary, but reports on sociological research. Since the material is weak in a literary regard, and even if the reader pays attention to this or that essay in view of the importance of the problem touched on... its emotional influence proves to be quite inconsiderable."

The works of the second type, which have also become somewhat widespread in recent years, are even worse. "These are essays where some progressive enterprise or its manager are described and their experience propagated." Such features are unfortunately appearing more and more often as the result of a written or unwritten agreement between a press organ and an enterprise with a vested interest in them: "The enterprise offers the press organ several thousand or even tens of thousands of yuan as compensation, and the press organ that places the sketch in its pages accompanies it with photographs of the enterprise and a half-length or full-length portrait of the manager. If we speak candidly, this is advertising, not commentary!" decisively concludes Chen Liao. The extant situation greatly troubles him, and as a way out he proposes that especial attention be devoted to the precision of the descriptions and the correctness of the vital truth, the rejection of stereotypes and the "multi-directionality" of public-affairs commentary and its artistic nature. "It seems to me that only after all of these problems are solved," the critic writes, "will social commentary be able to play its great role in the course of real life, full of change, openness and creation, fighting and impelling life to move forward!"

Well then, we will hope that the balance of forces in Chinese social commentary will change in favor of the new and progressive, the more so as many positive changes are already apparent.

#### Footnote

1. There is often no heat in houses in China (except the north).

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#### Development Options for Arab Capitalist Countries

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[Article by S. Stoklitskiy, candidate of economics: "Arab Capitalism: Variants of Development"]

[Text] The exposure of the character of capitalist transformation and its contradictions in the Arab world makes it possible to assess and to correlate the regional experience with the general conceptions of the evolution

of "oriental capitalism." Especially as the solid general theoretical baggage which has taken shape during the study of the formative processes in the contemporary oriental societies has absorbed primarily the regional, concrete historical experience of the Indian subcontinent and a number of other large countries of South and Southeast Asia.

Meanwhile the Arab zone of the developing countries is distinguished by a marked specificity. It represents a combination of 21 small and medium states. Even the most populated among them, Egypt, this "Arab India" of a sort, numbered fewer than 50 million inhabitants in the mid-1980's. On the whole, the Arab region has a more "open" economy than many other zones of the developing world. In the opinion of the prominent Arab economist Samir Amin, in the periphery of the world capitalist economy (WCE) it is difficult to find another vast region, which would have such high characteristics of inclusion in the international division of labor.<sup>1</sup>

Within the Arab world itself, in contrast to many "standard" regions of the Orient, the system of cultural and civilization signs (Islam, the norms of the Shari'a, the Arab language, etc.), which characterize the behavioral stereotypes of the society, are rather similar. Against this relatively even background, socio-economic factors, which differentiate within the limits of the Arab region states of one sort or another (or their groups) in terms of the rate and character of the formation of capitalism, manifest themselves more prominently.

To them, in our view, above all, the specific character of the genesis of the capitalist way (or ways) should pertain. From the beginning of the 19th century, the active European colonialism of expansion, on the one hand, and the practically parallel execution of reforms by the authorities of the Ottoman Empire, on the other, exerted decisive influence on the transformation of the socio-economic structure of the Arab world on a capitalist basis, with the intensity of this influence being by far not identical everywhere. Higher—in Lebanon, Syria, Palestine, Egypt, and the countries of the Maghreb, less noticeable, and frequently close to zero—in inner Arabia, where social progress in those years thus did not progress further than the Middle Ages.

The differentiation in the character and speed of the formation processes is closely connected with the magnitude of the resource and economic potential of the Arab countries. The presence of resources (above all, oil resources) or their absence is, according to the accurate expression of R. N. Andreasyan, "a paradox of geography." But the economic situation which has taken shape as a result of this "paradox" is already not called "an accident of history." Having made an industrial spurt, the West, primarily through non-economic means, subjected the participation of the countries of the region in the international division of labor to its own interests. The machines, machine tools, and equipment in the centers of the WEC had an acute need for natural, above all, fuel and energy resources available in the Arab



periphery. As a result, in the "zones of preference" of Western enterprise, a transition took place from the higher forms of labor activity (cottage industry, handicraft, weaving) to the agricultural-raw material specialization of a number of countries. And this, in its turn, appreciably influenced the heterogeneity of the socio-economic development in various corners of the Arab world. Among the other reasons which influenced the specific character of capitalist development in the region, one should also mention the character of the social organization of production, the level of maturity of the relations of hired labor, etc.

It goes without saying, for every one of the countries (groups of countries) there exists its own combination of factors, determining the distinctiveness of capitalist development. In our view, five variants (groups) should be singled out. The first one of them is represented by Lebanon. For it, a long-standing and stable development of capitalism is characteristic, a variety of types of capital in the presence of trade and loan capital, and a high quality of the labor force. Another noticeable trait of local capitalism is the inviolability of the regime of "economic liberalism," which to a decisive degree is caused by the historically-developed trade and intermediary functions of the country in the region. With sufficiently advanced bourgeois relations, Lebanon nevertheless is burdened with clan and religious-communal vestiges.

Among the second group, along with Egypt, we must reckon Tunisia, Morocco, and Jordan. The ripening of the capitalist mode of production is taking place there with a surplus of manpower, but without the chronic forcing of excessive tension in the labor market, to a significant degree thanks to massive emigration. An important sign distinguishing these countries from Lebanon is the establishment, in them, of state capitalism, which is being practiced in a the majority of developing countries.

The fortunes of capitalism in the states of the third group—Algeria, Syria, and Iraq—are turning out differently. In spite of the formation of capitalism over many years (as in the first two cases) and the closeness to the second group of "launch" (1960's) socio-economic parameters, the choice of another ideology (petty-bourgeois socialism) was reflected in the character of the policy of these states, including socio-economic policy. The problems of the Arab countries of socialist orientation goes beyond the framework of this article. In this context, we will only mention that the regimes in the countries of socialist orientation, in acknowledging the importance and inevitability of the development of a private capitalist way of life and in encouraging it, at the same time (for a number of reasons, and above all the aspiration to maintain its monopoly of political and economic power) impede the transition of this way of life to the formation-developing level and its transformation into the predominant level.

In the countries of the fourth group (Saudi Arabia, Kuwait, the United Arab Emirates, Oman, Qatar, Bahrain), the impulse to the development of capitalism historically came much later. But there the intensity of the processes of capitalist transformation is growing and is based on "the revolution of prices" for crude oil in the 1970's. These countries are distinguished by a—for the developing world unusual—situation, where the surplus of loan capital (moreover in foreign exchange form) and an acute shortage in the manpower market, in particular in regard to skilled manpower, exist side by side. Expanded reproduction is to a significant extent secured through the attraction of hired workers and entrepreneurs from abroad. In so doing, the Arab feudal-theocratic monarchies are compelled to the solution of the problems of intensive capitalist transformation upon themselves, forming thereby an extremely distinctive type of state capitalism.

Finally, for the fifth group of the least developed countries of capitalist orientation (Mauritania, Somalia, Sudan, and the Arab Republic of Yemen), the rickety state of the national private capitalist enterprise, the lack, as a rule, of rich material and financial resources, and surplus of unskilled manpower are characteristic. Such, in general outline, are the variants of capitalist organization in the countries of the Arab world.<sup>2</sup>

The analysis of the 30-year period (1960's-1980's) of the history of the development of the Arab world with all its zig-zags, take-offs and downfalls leads the author to the conclusion that in practically all Arab countries of capitalist orientation the bourgeois way of life has become system-forming, leading, and, in a number of them, also predominant. In so doing, the capitalist way of life would hardly have succeeded in reaching the boundaries attained, had it not been for the energetic activity of the state. It was precisely the state (excluding, perhaps, Lebanon) which aspires to raise private economic structure to the level of market and commodity production and entrepreneurial maturity, acceptable for the establishment of state capitalism in the region. True, the question raised by G. I. Mirskiy remains open: How long will a state capitalist regime exist in which the bourgeoisie in a whole number of cases turns out to be out of power.<sup>3</sup> Time will give the answer to this question. It seems, however, that in the Arab world the state formations (including the state structure), especially in the long-term perspective, do not have a non-formation character.

Likewise one can state categorically: By the beginning of the 1980's, the state-administrative methods of the regulation of the economy in the region under review everywhere (through the mediation of the state) are giving way to market levers. The foreign exchange-financial and economic crises, which swept over the Arab world in the first half of the 1980's, sharply intensified this trend. On the average for the region, the share of budget expenditures in the domestic gross products after years of steady growth during the years

1980-1986, fell from 49 to 45 percent.<sup>4</sup> Moreover, simultaneously the expansion of the sphere of market production is taking place, both through the growth of the modern sector and the through the internal transformation of the traditional sector. With few exceptions, the traditional structures in the Arab economy offer weak resistance to their destruction from the outside and play today a more modest role than in many other Asiatic zones of the developing world.

The influence of international capital on the development of the bourgeois trends in the Arab world has undergone modification, but in the final analysis it has not become less. It would seem, foreign capital, as the result of the fundamental socio-economic transformations (above all, in the oil and gas industry) has yielded its positions to national structures (state and private). Nevertheless, its share in the distribution of the surplus product has hardly changed substantially. The monopoly of the centers of the WCE on the spiritual productive forces, in the course of the active modernization of the economy of the Arab countries, is acquiring growing significance through the stormy development of non-share, contract forms of capital. Thus, the enterprise of the epoch of the scientific-technical revolution compensates for the loss of the dictate of foreign capital over the raw material resources of the Arab world.

In addition, the massive influx of loan capital into the Arab world entailed an aggravation of the problem of external indebtedness of a number of countries (Morocco, Sudan, Egypt, Tunisia). For the region as a whole, it grew from 20.8 billion dollars in 1975 to 145 billion in 1986. The programs for settling the indebtedness will lead to the compulsory "liberalization" of the economy of the Arab countries, mainly through reduction of the entrepreneurial activity of the state sector.<sup>5</sup> These steps have been dictated by the self-preservation "instinct" of the world system of capitalism.

The point is that even the most advanced Arab states have lagged behind the centers of the WCE by a minimum of one and a half stages. For many of them, by the mid-1980's, a time of "the falling of oil prices," the path from the pre-machine to the machine stages of production turned out to be not travelled to the end, not to speak of the phase of scientific-technical development. Hence the necessity of pulling up the the Arab reserves of world capitalism to a level guaranteeing their most effective use and functioning within the framework of the WCE. Such is the general situation in the region.

At the same time, there are also substantial differences. In particular, the leading Arab oil exporters (the fourth group), in forcing capitalist transformation, borrowed mature forms of bourgeois organization from the centers of the WCE. In so doing, stage of free competition, which is peculiar to the evolution of the "primary" and "secondary" models of capitalism, is sometimes omitted. Such an inversion in the presence of "top echelon" capitalist development became possible thanks to the confluence of a number of circumstances, which caused

a sharp outstripping of the real subordination of labor to capital by the formal. Two aspects should be mentioned. First of all, in and of itself, the existence, in these countries, of relatively large corporations and companies, which are peculiar to the monopolistic state of the development of capitalism, as Ye. Kotova and V. G. Rastyannikov correctly note, cannot serve as an indicator of a high level of development of capitalism,<sup>6</sup> and the more so of its state-monopolistic stage, although the non-dismembered form of supreme state ownership was in the Arab feudal monarchies the point of departure for the formation of large capitalist production.

Secondly, in beginning to build the building of bourgeois society "from the roof," the Arab monarchies at the same time do not forget to encourage the growth of private economic enterprise from below. In other words, even in these countries a trend toward a certain universalization of capitalist structures and the imparting of finished contours to them is observed.

Such a reconstruction of the omitted stages of the capitalist mode of production in the Arab countries, with its characteristic local-civilization specificity, however, does not mean the repetition of the Western "primary" and "secondary" models of bourgeois society. As V. L. Sheynis accurately noticed, "not the path with all its stages that have permanently passed into the past is reproduced here, but a certain result, the general vector of movement."<sup>7</sup>

In spite of the obvious significance of the internal factors of the development of the Arab countries, the dependent type of evolution formed during the colonial epoch continues to determine their profile. The "oil revolution" of the 1970's intensified the integration of the overwhelming majority of the Arab countries in the WCE, not having radically changed the position of the Arab periphery. However, with the growth of capitalism in the region, this interdependence is losing the multist-uctural character inherent in the colonial synthesis and increasingly actively finds the uni-formation, bourgeois type.

The sharp fall of the world prices for oil and other mineral raw material in the first half of the 1980's was directly reflected in the growth rates and other characteristics of the socio-economic development of the Arab exporters of oil, gas, phosphates, and also the countries closely connected (above all, along the line of the migration of manpower) with the oil exporters (the Arab Republic of Yemen, Jordania, Lebanon, etc.). Moreover, the degree of closeness of the relations of between the fall of the world prices and the reduction of growth rates in the majority of the countries of the region was close to 1. This signifies that, in contrast to India and a number of other countries of Southeast Asia, the mechanism of national reproduction, capable of compensating for external crisis perturbation, was not yet formed. In its turn, the crisis slowed down the development of Arab capitalism and even destroyed some of its unstable private economic new formations, especially in the Arab

monarchies. There some private "newly-formed" companies were subjected to regulation by the state, others announced their self-liquidation due to heavy financial losses. And nevertheless, the Arab monarchies had enough "reserves of strength", gathered in the 1970's, to adapt to the more severe conditions for the sale of oil and gas, to get out of the depression, and by the end of the 1980's to switch over to a more quiet (than during the years of the oil boom) regime of expanded reproduction.

The recognition of the dependent character of the capitalist development of the Arab countries nevertheless does not provide grounds for the adjustment of their evolution under the schemes of dualism. As is well known, these schemes are based on the idea of the outstripping growth of contemporary bourgeois enterprise with a high organic structure of capital in the countries with a large surplus of working hands. In these conditions, the surplus manpower, driven out from the destroyed traditional sector and not absorbed by modern production, is doomed to the arbitrariness of fate, and the traditional sector, according to the observation of V. V. Krylov, is transformed into a sector of poverty.<sup>8</sup> Hence the following conclusion is logical, a conclusion which is drawn by other authors, but also on the general theoretical level: "Capitalism is not capable of overcoming the backwardness and socio-economic dualism of the developing society. The formation of such capitalism is accompanied by catastrophic social consequences."<sup>9</sup>

The experience of the Arab world is far from being able always to confirm the universality of these general-theoretical conclusions. Within the framework of one region the most diverse correlations of labor and capital arise. In the oil-exporting countries, in spite of the primary formation of large capital-intensive manufactures and the shortage of local human resources, as has already been said, is combined with a reliable (and even abundant) supply of loan capital. In these countries, one observes primarily a synthesis, and not a rupture between the traditional and the contemporary. It goes under the sign of the active erosion of traditional society on two levels. In its upper echelons, one observes the coalescence and the active "capitalization" of the feudal-monarchical structures, at its lower levels—the energetic pull of the traditional strata of Arab society into commodity production and modern consumption.

But in the majority of the other Arab countries (of the first, second, and in part the fifth group) capitalism is actively developing in depth and in breadth, not tearing away, but attracting manpower from the traditional structures, not conserving, but primarily corrupting traditional Arab society, in any case, transferring it—and this is the key trend—to the rails of commodity production. The rates of synthesis there are slower, even a reaction of the tearing away of the modern sector is observed, for example in the densely-populated Egypt. But on the whole, the simultaneous growth of modern and lower forms of production is under way.

Such a character of development has not excluded the reaction of traditional structures, true, in a region-specific form. A wave of political Islam has rolled over Lebanon, Egypt, Tunisia, Sudan, Syria, and other countries. At first generated primarily by reasons not of a socio-economic character, this current found in the economic basis a receptive channel in many respects thanks to the state of the traditional society. We will recall the spread of Islamic companies, banks, etc. in the region (especially in Egypt). But on the whole, political Islam, if we regard it as the most energetic reaction of traditionalism to bourgeois modernization of Arab society, did not create large and highly explosive breeding-grounds of social tension, not mention "catastrophic social consequences", in the base structures. It is characteristic that the deep crisis of the first half of the 1980's basically passed along a tangent to the Arab social structures and did not give rise to sharp social explosions, with the exception, perhaps, of the "bread riots" in Tunisia, Morocco, and earlier also in Egypt.

The absence in the Arab world (beginning with the mid-1970's) of significant social collisions is explained by a number of circumstances, and, above all, by the "petrodollar" boom. To a significant extent, it removed the demographic and social tension from the traditional structures of Lebanon, Jordan, the Arab Republic of Yemen, Egypt, Tunisia, and other countries. It made it possible to attract to these states solid "petrodollar" surpluses in the form of transfers of wages and massive official Arab development assistance.

As far as the group of countries of the fifth group is concerned, there (excluding, perhaps, the Arab Republic of Yemen), because of the lack of sufficient volumes of capital resources, the process of bourgeois modernization is proceeding more inertly. Correspondingly, the strength of the opposition of the traditional sector also proved to be much weaker. But precisely in this group of countries, in particular in Somalia, Mauritania, and partly in Sudan, the global problems intensified, such as backwardness, drought, hunger, illness, infant mortality, etc., which, we note in passing, also did not pass by neighboring Ethiopia, which had chosen socialist-oriented development.

In noting the unacceptability of the direct conjunction of the Arab region with the cataclysms flowing from the general-theoretical model of dualistic development, we, of course, are far from the thought of ignoring the contradictions that arise in the course of the evolution of Arab society.

In the first group, represented in our classification by Lebanon, a sharp military-political conflict has been raging for 15 years already, which, with new and unprecedented force, has stirred up the religious-communal and clan competition in the national arena and has for some time relegated long-term socio-economic contradictions to a position of secondary importance. But from the second half of the 1980's, in proportion to the dragging out of the conflict and the sharp lowering of the standard



of living of the masses, a tendency toward consolidation of a social protest movement, aimed at stopping and regulating the crisis, has been gathering strength among the Lebanese.

The contradictions take on another character in the countries of the second group, and in particular in Egypt, Morocco, and Tunisia. Taking into account the relatively mature socio-economic structures, on the one hand, and the limited material resources, on the other, one can expect that in due course in the midst of their society the collisions of a property character will begin to intensify. The process of liberalization and the growth of market relations will, probably, be accompanied by a relative decline in the standard of living of the broad masses.

In the countries of the fourth group (Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar), with the intensive capitalist restructuring of the feudal-monarchic societies, basic conflicts arise, above all, as the result of the collision of production relations and consumer standards that are being introduced by contemporary capitalism with nationalist ideology and the traditional norms of socio-political life and morality of these countries, which have been sanctified by centuries and by religion.

In these countries, there operates still another group of contradictions, expressing the character of interrelations between the local "petrocracy" [neftekratiya] that has grown rich and the centers of world capitalism. The aspiration of the rich conservative Arab regimes to secure for themselves the protection of the West coexists with the religious-nationalist mood and the necessity to take into consideration the positions of the other countries of the region.

In the presence of a lack of flexibility of the authorities in the sphere of socio-economic (and inseparable from it, political) modernization, being implemented in accordance with the schemes of dependent capitalist development, new outbreaks on a traditional basis are not ruled out. However, a repetition of the Iranian formula on Arab soil appears unlikely because of the absence of the prerequisites for such a turn in history: The less mature social structure than in Iran; the practical absence of traditions of mass and open political struggle between various organized social forces; as a rule, a weaker anti-Western fuse of the masses; and large material possibilities, which the local authorities have at their disposal for the purpose of neutralizing the protest of the lower and middle strata of the small indigenous population through various sorts of crumbs and subsidies. In this respect, in the monarchies of the Arab peninsula, it is more probable to expect "palace revolutions", which, however, will hardly be reflected in the conduct of the chosen policy of bourgeois modernization.

Finally, in the least developed countries of the region (the fifth group), and above all in Mauritania, Somalia, the Arab Republic of Yemen, and in part Sudan, the

character of the contradictions, above all, is a consequence of the combined influence of intensified problems of economic backwardness and protest against bourgeois modernization, proceeding from the feudal, and at times—tribal circles of society.

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Thirty years of independent development of the Arab world—a microscopic term by the measures of history. All the more striking the changes which have taken place during these years. The main thing is that bourgeois modernization in the countries of the Arab world does not fatally rest on the wall erected in accordance with the stereotyped patterns of dualism.

Capitalism, germinating in Arab soil, without a doubt, has its country and regional peculiarities and in this sense by far not always corresponds to the general "Oriental" cliché that has been developed. At the same time, it is only the individual manifestation of the general essence of capital as a system of social relations. For this reason, in the future this path of transformation in all of its intra-regional variants lies, it seems, within the framework of the gradual formation of capitalism in the backward and dependent societies, not excluding the contradictions inherent in this method of social self-realization.

#### Footnotes

1. S. Amin, "L'Economie arabe contemporaine" [The Contemporary Arab Economy], Paris, 1980, p. 19.
2. Countries in which a combination of inter-group indications has found reflection are not examined here—Libya (fourth and third) and the People's Democratic Republic of Yemen (fifth and third group).
3. Cf. G. Mirskiy, "The Liberated States: Paths of Development," *AZIYA I AFRIKA SEGODNYA*, No 3, p. 26.
4. This circumstance deserves special examination.
5. For example, in Morocco, in 1984, the authorities carried out a liberalization of foreign trade: The abolished import limitations and they lowered custom duties. In 1985, they began an extensive campaign of denationalizing the state sector, the transfer of about 150,000 hectares of land from the state fund into private hands, etc. The privatization of state enterprises in Egypt, Tunisia, Jordan, Sudan, and other countries was activated.
6. Cf. *PROBLEMY RAZVITIYA KAPITALIZMA NA VOSTOKE*, Moscow, 1987, p. 34.
7. Cf. V. Sheynis, "The Peculiarities and Problems of Capitalism in the Developing Countries," *MIROVAYA EKONOMIKA I MEZHDUNARODNOYYE OTNOSHENIYA*, 1986, No 12, p. 57.

8. Cf. "Ekonomika razvivayushchikhsya stran. Teoriya i metody issledovaniya" [The Economy of the Developing Countries. Theory and Methods of Research], Moscow, 1979, p. 57.

9. "Razvivayushchiesya strany v sovremennom mire: yedinstvo i mnogoobraziye" [The Developing Countries in the Contemporary World: Unity and Diversity], Moscow, 1983, p. 27.

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**AZIYA I AFRIKA SEGODNYA No 5, 1989:  
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On 25 May progressives of the world mark Africa Liberation Day. For this reason many materials in the May issue of ASIA AND AFRICA TODAY are devoted to the problems of this continent. The article by Boris Asoyan, "From Illusions to Realism," opens the issue; it deals with the difficulties the population of Africa has been encountering over the recent years. The burden of debts shouldered by the African countries is the heaviest as regards the developing world. It grew by \$40 to 50 billion over the last three years only, totalling now about \$230 billion. Annually African countries pay out the sum equivalent to half of the export earnings to their creditors. The Africa of the 1980s tops the list in other morbid indices, too, such as children's mortality, uncontrolled population growth, the rate of food production lagging behind its demand. Analysing the ways of solving the problems facing Africa, the author of the article expresses clever ideas in the spirit of the new thinking.

The article by Vyacheslav Molev, "Namibia: Dawn Follows Night," combines the features of travel notes, reportage, an interview and a commentary. Utilising this journalistic method, the author gives a broad picture of today's Namibia, pivoting the material around decolonisation, the priority problem of the country. The Bishop of the Anglican Church, Chairman of Namibia's Church Council Hamupanda Kauluma was expressing the opinion of the overwhelming majority of Namibians and all those who cherish peace, justice and racial equality in the South of Africa, in his interview to the author of the article.

Our people sympathise with the SWAPO, said Bishop; it is the only organisation which really unites all the ethnic groups of the country and fights for the liberation in real earnest. And if general election, held under the UN control and observation, will take place and prove to be really democratic, the SWAPO will be sure to win.

Militarising the world economy has, for the first time in the postwar period, achieved the level of the last decade. We find this conclusion in the article by Candidate of Economics, A. Kireyev. Large military expenditures

have been made by practically all developed and developing countries. This spending is much more dynamic than other indices of socio-economic progress. The military outlays have grown by 400 per cent over the postwar years and reached nearly one trillion dollars at present. The sum is equal to the aggregate GNPs of the countries of Africa and Latin America, taken together. Thinking over the consequences of the arms race for the developing countries, the author concludes that a radically new mechanism of the world economy, with the disarmament economy as its inalienable part, should be elaborated.

The South African Association of Regional Cooperation (SAARC) is the organisation whose name appeared in the political lexicon not so long ago. Doctor of History A. Kutsenkov and Candidate of History A. Pleshov write in their article about the causes, events and facts concerning this regional union of Southeast nations. The Association intends to make effort toward ending the arms race, and spending the funds thus saved on the aims of development. The SAARC is going to resume the North-South dialogue aiming at establishing a new economic order, and to promote the south-South cooperation in every way possible.

Two scholars, Doctor of History Y. Bazhanov and Candidate of Economics N. Bazhanova, in their essay "China: Developing the Countryside (Part II)" continue to analyse the contemporary farming policy of the Chinese Government, doing so in an easy and interesting manner. The agrarian policy became a topic for heated discussions in China herself. Some experts suggest that she follow the "Japanese road," i.e., the method when part of a family is engaged in farming, and the other part in other trades. Some suggest that collective labour be combined in farming with individual one in other spheres. There is still other point of view, that of creating specialised households and family farms, thus supporting the "American road."

And, last but not least, there are proponents of combining work on the family farm with state assistance in such matters as mechanising, irrigation, providing chemicals, etc. The authors note that there are many different views but all of them pursue the same purpose—that of boosting agricultural production.

The **Letters to the Editor** column carries the letter by two Soviet orientalists, N. Kuznetsova and Sh. Badi, expressing their concern over a new wave of repressions in Iran. For the three months of 1988 alone, 725 people were killed in the single Teheran prison of Gohardasht; about 400 people were executed in the town of Urmia—they were Kurds' political leaders in the main. There are apprehensions that all political prisoners will be destroyed in Iran.

The so-called venture business has been looming ever larger among the medium and small enterprises in Japan. According to a Japanese definition, this business is carried on the basis of scientific and technological

specifications worked out right at the factories. Venture business is not a new notion; it emerged in the United States and, as many other things, came to Japan from there. The article by Y. Starovoitov, "Japan: Venture Business," presented by the column **Countries, Peoples, The Time** tells the reader about the specific features of this business.

The **Travels and Meetings** column features the travel notes by Doctor of History A. Khazanov, "It's Better to See Twice..." about East Africa. He shares his impressions of the two countries he visited, Tanzania and Zambia.

"Bangkok with its special oriental colouring and respectability will not leave indifferent even those who have seen the capitals of other countries. The traveller is excited on seeing the majestic temples such as Aroon with its central 75-metre high tower, decorated with statues of the heroes of the past, the Traimit temple with its statue of Buddha made of gold and weighing five-and-a-half tons; Prakeo where the statue of Buddha given to the Thais by the Indian king Asoka has been preserved." This excerpt is taken from the article by B. Zarankin, "Thailand: On the Banks of Chao Prai," also containing other interesting information about the capital of Thailand.

The **Statistical Bureau** column gives an in-depth analysis of the private direct investment in the countries of Asia, Africa and Oceania. The material is prepared by Candidate of Economics A. Kovalevsky.

The **Talks With Readers** column features the letter from our reader Oksana Krotova residing in Mogilev who writes, in part, "From among the actors of the Indian cinema I like Mitkhun Chakraborti best of all. I like the movies where he acts, such as the "Disco Dancer," "Who and How," "Just Like the Three Musketeers," and many others. I would like to know about the actor some more."

Y. Korchagov, answering the letter in detail, wrote the following. "At this time, a new movie featuring Mitkhun Chakraborti is released practically every month. For the 13 years he has been in the cinema, there have appeared about a hundred pictures starring him. Without thinking seriously about the morrow, the actor glides along the river named 'commercial cinema.' Sooner or later he will have to make the choice: either to be ousted by capricious cinema fashion, or to turn to serious cinematography. We all of us hope that the actor will overcome the temptations of 'commercial' pictures."

The issue continues publishing Peter Driscoll's detective novel "The Wilby Conspiracy" and the work by Romain Rolland, "The Life of Ramakrishna."

The section of the journal **Man in the Modern World** carries the analysis by Candidate of Philosophy A. Moseiko, "Africa: Among One's Kith and Kin." The author gives great attention to the problems of mass consciousness which remain the arena of encounters.



clashes, conflicts between the old and the new views, values and orientations—he does all this using concrete examples from the life of today's Africa. The invasion in the life of man of new ways of living, new everyday affairs, relations between people, the formation of the new requirements—all this makes a person search for a new place in the new reality, adapt himself to unusual circumstances for which he has to think over this new reality and work out new guidelines. The author is sure that the problem of mass consciousness is very serious, and one has to study it in order to take it into account in socio-political and ideological practice.

Kashmir handicraftsmen have been famous, since time immemorial, for their art. They make articles from metal and wood, lacquers, carpets and rugs, embroidery, as well as costumes and shawls which have always been in great demand both in India and abroad. Kashmir metal utensils for cooking, for keeping and transporting food, are variegated. The article "India: Handicrafts of Kashmir," presented by **Culture, Literature, Arts** section is written by O. Lystsova. She writes that Kashmir culture and art have absorbed the traditions of India, the countries of Moslem East and China. This blend of different influences has brought about an unusual nature of Kashmir crafts.

Our author, Candidate of Philology A. Dolin, who is very popular, describes the Japanese karate wrestling in the section of **Sports**. He tells us, among other things, about the famous master of the modern karate (kempo) Yamaguchi Gogen, who is nicknamed Tom Cat.

In his item "Africa and Its Struggle," L. Karlov tells the reader about new stamps issued in Africa in honour of memorable events.

The **Events, Facts, Figures** section presents various interesting information.

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#### **AZIYA I AFRIKA SEGODNYA: No 7, 1989 Table of Contents**

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[Text] The July issue of ASIA AND AFRICA TODAY begins with the article by Candidate of History A. Krylov, entitled "Separatism: Sources and Trends." The author writes that separatism became one of the most painful problems from among those facing the poly-ethnic states of Asia and Africa, which are difficult to solve. Dozens of separatist organisations have been set up and operating for decades. The author poses the following question: is the separation of a territory from a poly-ethnic state always necessary? Or, to put the question differently, is it always so harmful? One can definitely assert that the division of British India into two parts, with the ensuing separation of Bangladesh

from Pakistan, were conducive to the ending of fratricidal intra-state wars and perhaps helped avoid more bloody and dramatic upheavals, still more cruel than those accompanying these events. On the other hand, there were such things as decades of instability, hardships and wars within Burma, in the Sudan and Ethiopia. Obviously, there is no unambiguous answer (and there cannot be) to the question posed. But, in spite of the armed struggle waged against separatists, the movement has elaborated a surprising tenaciousness over the last decades of constant confrontation with the statehood. Now, too, the struggle against it is very difficult and has obstacles of military-political nature. Tensions between states, however, strengthen positions of separatists, as in such cases they get not only armaments, but also opportunities to use the border districts of neighbouring countries. The author arrives at the conclusion that the elimination of separatism as a socio-political phenomenon is a *sine qua non* for a normal existence of poly-ethnic states in Asian and African countries.

The article by Doctor of History L. Medvedko, dealing with the Middle East, is built around the Palestinian problem, seen from the angle of the developments of the 18-month-long *intifada*, a sacred war, which became a part and parcel of a new political reality, as Yasser Arafat put it. Arming themselves with stones Palestinians (unlike participants in other wars) decided to take their future in their own hands, besides the stones.

In this atmosphere the Soviet Foreign Minister E. Shevardnadze visited the Middle East—the first visit of a Soviet Foreign Minister to this region over the last 15 years. Mr Shevardnadze met his counterpart M. Arens and the leader of the Palestine Liberation Organisation, Y. Arafat, in Cairo. This was a chance, for all the participants in the conflict, for an in-depth exchange of opinion on a wide range of questions. The Soviet Union has demonstrated a new approach to the solution of the most protracted conflict of the 20th century; it proved that an extensive dialogue among all the sides involved in the conflict is preferable to boycotting one of the parties.

The novel "Satanic Verse" by Salman Rushdi, which came off the press in September 1988, aroused a great hullabaloo among the entire Moslem world. Iran's late leader, Ayatollah Homeini, sentenced the author to death, for this "blasphemy" as regards Islam and the Prophet Mohammed, as he put it. The Moslems residing in the USSR have their own opinion on the score. Our own correspondent L. Mironov interviewed Chairman of the Spiritual Board of the Transcaucasian Moslems Sheikh al-Islam A. Pasha-Zade and Doctor of History S. Aliyev. Answering the questions, they spoke about the life of the author of the sensational novel and the content of the novel itself. The interviewer focussed his attention on the excerpts which evoked the Moslems' greatest wrath.

Doctor of History D. Yeremeyev in his essay "Why Is the East Lagging Behind the West," suggests an interesting idea on the progress and downfall of numerous state entities and powerful empires in the Orient during the Middle Ages and the modern times. According to the author, the concept of an irregular development of certain world regions, countries and nations, answers the question of why the West, during the late Middle Ages, began to rapidly overtake the East in socio-economic, scientific, technical and cultural spheres. He cites various facts of stagnation of feudalism in the East, of which he considers a protracted preservation of the state ownership of the land as the most important. There is another factor which, in its turn, was also conducive to a prolonged ownership of the land, i.e. specific non-land relations in nomadic tribes whose invasions began to sweep over the Afro-Asian region since the First Millennium BC. Every new invasion threw feudalism back to its initial development stages, preventing new capitalist relations from setting in.

"Wheat Fields in Deserts" is the title of the article by our own correspondent in the Middle East A. Ubilava, and the TASS correspondent in Syria A. Zheltov who sent the material from Damascus. They turned to Mr Haled al-Hunain, an employee of the Saudi Arabia's Embassy in Syria who told them about cultivating wheat in the Land of Great Deserts. Experts' estimates show that Saudi Arabia boasts 4.5 million hectares of land which are good for cultivation. So far only 600,000 of them have been actively used, but over the last few years Saudi Arabians accumulated unique experience of transforming lifeless scorching sands into green corn fields, waved by a breeze. Tangible increment in harvests has allowed not only make the country self-sufficient in wheat, but export it abroad.

The subject-matter of the material by G. Starchenkov on Turkey is the army and the military-industrial enterprise in the country. The Turkish army has always been important not only in the military-political, but also in the economic sphere. This became especially obvious after the coup d'état of 1980, when political parties were prohibited in the country, democratic organisations disbanded and thousands of left- or right-wing activists imprisoned or persecuted. Since then, escalation of military expenditure has been growing with every passing year and the military industry swallowing most of the funds, which has resulted in militarising economy and directing it toward production and export of modern weaponry.

The "Travels and Meetings" section carries the notes by Doctor of History R. Landa. He describes Seville, one of the most beautiful towns in Spain, founded by Hercules, as legend has it. For many centuries the town was free, until one day it was captured by Arabs. It happened in 712 and henceforth, for 536 years, Seville was under the Halifate domination. Ishibiliya, as the Arabs named it, was three times as large as Cordoba, capital of the whole of al-Andalus. It was famous for its beautiful buildings and powerful fortifications, for its

spacious suburbs and numerous market-places, for a host of educated people and poets writing fine verse. Seville was also famous for its excellent system of water supply and luxuriant gardens.

Maldiv Islands is a tiny state lost in the boundless waters of the Indian Ocean. Booklets for tourists describe it as paradise on Earth. The archipelago, thrown as an intricate necklace into the Ocean, stretches for 800 kilometres across the equator. The author, Z. Yakovlev, tells the reader about the history and present-day reality of the islands. Having embarked on the path of independence after their liberation from the British rule, the Maldives began to firmly adhere to the policy of a stronger independence and national sovereignty. This promoted a growing prestige of the young state in the international arena. Over 80 states have established diplomatic relations with the Maldiv Republic by today.

The 10th release of "Our Statistical Board" deals with the state budgets of the countries of Asia and Oceania. The table printed in the issue allows the reader to follow and compare the main sources of budget revenues and the main allocations made by the states, both developing and advanced, of these two regions.

"A Stolen Symbol" is the article by Candidate of History O. Mesentseva, narrating the destiny of swastica. Whereas the cross—its one modification or other—has been existing and known since time immemorial in the cultures of many peoples of the world, swastika, as design-experts contend, is one of the versions of the cross, and a most often-used element of decor. However, it has evoked (and still does) quite different feelings since it became an official emblem of fascism.

The July issue continues to publish the novel by Peter Driscoll, "The Wilbie Conspiracy," and the novel by Romain Rolland on Ramakrishna.

Joona with her miraculous hands has been known throughout the Soviet Union for a long time. This time an article about her, written by Doctor of Philosophy K. Matveyev and Merited Ari Worker of the RSFSR V. Touradjev, will tell foreign readers about her. It turns out that Joona is not only a healer, she is a talented artist, poetess and composer. Her works of art evoke admiration of specialists, not only laymen.

This issue is concluded by the "Sports" section. Candidate of Philosophy A. Dolin, who is traditionally our sports author, tells the reader about the military art of aikido. In his opinion it is a way toward concentrating energy. Aikido, one of the most ancient arts, teaches a sportsman to perform painful grips and locks, with an ensuing rush toward an "enemy," which requires an intensive use of a man's bio-energy abilities.

The issue is richly supplied with photographs and illustrations, as usual.

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### Georgian Foreign Minister on Cooperation with UNIDO

1807071A Tbilisi MOLODCHIK GRUZH in Russian 1 Jul 89 p 3

[Unattributed report: "Soviet Georgia and UNIDO Establish Direct Ties"]

[Text] Georgiy Dzhevakhishvili, USSR Minister of Foreign Affairs, signed a cooperation agreement with UNIDO in Vienna on behalf of the Georgian Soviet Socialist Republic. This is the first time that Georgia will be represented as a sovereign republic of separate standing in such an important international document.

"This is the first time ever that the republic has established direct ties with this prestigious UN organization for industrial development, which renders assistance to developing countries and promotes economic and scientific contacts among UNIDO member nations," said Georgiy Dzhevakhishvili in an interview with GRUZ-INFORM correspondent Yurii Goldman. "Expansion of the international rights of the Georgian Ministry of Foreign Affairs will in real terms make its foreign ties more effective in accelerating the republic's social and economic development. These rights were assigned to our ministry by a special decree of the Central Committee of the Georgian Communist Party and the Republic Council of Ministers. Also, regulations for the Georgian Ministry of Foreign Affairs, providing the legal basis and guidelines for the ministry's work and expanding its functions, rights and duties under perestroika, were approved."

According to the agreement, a global UNIDO advisory conference will be held in Tbilisi this September, the first ever in the Soviet Union. Its participants, including leading experts and heads of major companies from dozens of countries, will discuss the problems involved in harvesting, storage, and the processing of fruits and vegetables. They will draw up recommendations on how to increase the productivity of the processing enterprises and how to expand technological cooperation with the developing countries in this field, including the penetration of international markets. Another remarkable thing about the forthcoming event is that agreements establishing joint ventures will be concluded on the spot. The Philippines, Thailand, Singapore, and several socialist countries have already indicated their intention to cooperate with our republic in the processing industry.

The Georgian bureau of UNIDO, the only such office in the USSR, will be opened this fall in Tbilisi. This will enable our republic representatives to enter into direct contact with this international organization on a whole number of problems.

Apart from increasing foreign exchange revenues for the republic, this will allow us to train management experts for the various branches of the republic economy at leading world centers under the aegis of UNIDO.

There is a good reason why UNIDO is interested in developing cooperation with our republic. Georgia regularly hosts various international meetings, symposia, and conferences sponsored by UNIDO, provides good material and technical facilities and has highly qualified experts. Republic agencies, agroprom first and foremost, will be drawn to the center's work. As a matter of fact, agroprom will be the main participant in the consultative conference. A number of problems still have to be solved, among them the financing, technical equipping of the future center, etc. The mutual understanding and support of Georgian party and government leaders, as well as of organizations and agencies that participated in the negotiations, give us confidence that all these problems will be successfully resolved.

### Structure of Soviet Foreign Trade Sketched

18070716 Moscow ARGUMENTY I FAKTY in Russian No. 29, 22-28 Jul 89 pp 6

[Article by Yu. Sigov, "How Is Hard Currency Spent?"]

[Text] The promotion of foreign economic ties between the USSR and foreign states allows this country to utilize the advantages of the international division of labor towards upscaling its economy. But this does not affect much the well-being of the common man in our country. Is our foreign trade misguided then?

Below is an interview by an "Af" correspondent with V. Spandaryan, a leading scientific associate of the Institute of the USA and Canada, USSR Academy of Sciences.

[Af] Soviet foreign trade organizations have complained recently that they had a shortage of currency to buy foreign goods which are in short supply in our market. In the meantime the USSR is one of the world's largest exporters.

[Spandaryan] Well organized exports lie at the core of a well balanced foreign trade in any country. Its volume and structure in the USSR, however, fall short of the international economic, scientific, and technical requirements. Our exports reached 74.7 billion rubles in 1984, an all-time high, they steadily declined in the subsequent years to drop down to 67.1 billion rubles in 1988. The USSR is seventh in the world in the volume of exports, behind West Germany, the USA, Japan, France, Britain, and Italy. Moreover, its exports are 2.3 times less than Japanese exports and 2.5 times less than US exports. Socialist countries account for about two thirds of total Soviet exports, with the share of advanced capitalist states running at 20 percent, and that of the developing countries, at 14-15 percent.

[Af] What does the Soviet Union sell for hard currency?

[Spandaryan] The share of fuel and energy exports reached around 50 percent in recent years, machinery, equipment and vehicles, 15-16 percent, ores, metals and

metal goods, 8 percent, chemicals and fertilizer, 4 percent, and so on. Consumer goods accounted for 2 to 2.6 percent.

Oil and oil products were the largest export items in 1987 (the 1988 data have not been released yet) at 195.8 million tons, gas, 84.8 billion cubic meters, coal, 35.5 million tons, iron ore and rolled metal, 45.5 million tons, cast iron, 5.9 million tons. The USSR exported machinery worth 10.6 billion rubles in 1987, including 965 million rubles worth of aviation technology (65 airplanes and 147 helicopters), 41,500 tractors, 40,600 trucks, and 339,000 cars.

Among manufactured consumer goods, the USSR sold abroad 312 million meters of cotton fabric, 18.6 million clocks and watches, 905 thousand cameras, 1.1 million TV sets and 1 million radios.

[AiF] Q It is no secret that the Soviet Union receives a considerable amount of hard currency selling arms and military hardware.

[Spandaryan] It's true. The USSR is the second largest arms exporter (31 percent) after the United States. According to the Stockholm International Peace Research Institute (SIPRI), the USSR earned \$50 billion from arms sales between 1982 and 1986. The most recent official Soviet data on arms exports, released by the journal SOVIET MILITARY REVIEW (Sovetskoye Voennoye Obozreniye) last year, still pertain to 1980. The figure then was \$9.8 billion. It appears that more recent data on this subject are still confidential.

[AiF] It seems that with manufactured goods making up 35 percent of its exports, the USSR is on a par with developing countries.

[Spandaryan] That's correct. Industrial goods make up the bulk of the exports of advanced capitalist countries and a number of CEMA members. In Japan, they make up 97 percent; in the U.S., 65 percent. We will have to continue exporting our energy and raw materials in the near future, however, while we try to increase the share of processed products. With more thorough processing of timber products, for example, the same volume of forestry exports could raise our hard currency earnings by 2 to 2.5 billion rubles a year.

[AiF] What about the "export of ideas" in the USSR? The West pays much more for intelligent ideas than for high-quality products.

[Spandaryan] Among potentially high foreign currency earners are such areas as the export of patents and licenses, and technical and scientific knowhow, promotion of foreign tourism, shipment of goods across the USSR, and space exploration services. However, in the Soviet Union these so-called "hidden exports" account for less than one percent.

[AiF] How do you explain our buying abroad the very goods that we produce in large volume ourselves?

[Spandaryan] Unfortunately, we also spend currency to import industrial goods in whose production we lead the world. For example, the USSR is first among steel producers, but it consistently buys ferrous metals from abroad. While imports amounted to 12 billion rubles between 1985 and 1987 alone, a portion of this sum could have been used to begin domestic production of a range of goods.

[AiF] Let's talk about food imports, one of the sorest points for us.

[Spandaryan] As you know, we are forced to spend a considerable amount of resources to import grain and food products. At the same time, we buy very little machinery and equipment to store, transport, and process agricultural products, a large amount of which perishes before it reaches the consumer.

The USSR imported 150 billion rubles' worth of food between 1967 and 1988, which accounted for 50 percent of all our net earnings from energy exports. That means that we have "eaten up" half of our oil revenues to buy food abroad. We can hardly expect to eliminate shortages if we continue trying to offset bad work with imports, even if we increase the exports of oil, gas and other irrecoverable natural resources to pay for them.

[AiF] How should we spend the available hard currency then?

[Spandaryan] We should concentrate on buying equipment to retrofit plants in the light and food industries and also to develop our own machine building industries. We should immediately cease purchasing equipment for our long-delayed industrial projects (such imports have already reached \$4.6 billion dollars).

[AiF] Our press has been debating whether we should spend money to purchase foreign consumer goods.

[Spandaryan] This is permissible as a quick-fix to eliminate acute shortages. But we cannot saturate our domestic market with imported goods. We should not allow temporary purchases of consumer goods to become permanent, as it happened with food imports. Our grain imports were infrequent at the beginning too.

[AiF] The USSR is compelled to seek Western loans due to a lack of foreign exchange. Can this put us in a "deep hole"?

[Spandaryan] Loans, both internal and external, are a normal occurrence in any country. In recent years, the USSR secured \$9 billion dollars in foreign loans, mostly from West Germany and Italy, to develop its economy. We received a \$1 billion loan last year to develop our light industry. The USSR enjoys the full trust of the West as a creditor. However, according to international monetary laws loan payments should not exceed 20-25 percent of national export earnings. But according to the data provided by Chairman of the USSR Council of Ministers N. I. Ryzhkov at the Congress of People's Deputies, our country's foreign debt is twice as high as

Soviet hard currency earnings. Since our exports are constantly diminishing and foreign credits are growing, this percentage balance can be destroyed and the economic situation in our country further aggravated.

### Pros, Cons of Food Exports, Imports

18250183 Moscow SELSKAYA ZHIZN in Russian  
17 Jun 89 p 5

[Article by Aleksandr Ivashchenko, candidate in economic sciences: "We and the World Market: An Agrarian Panorama"]

[Text] In recent times, many reasons have been named which have led to the difficult food situation in our country. Some authors believe that foreign trade has a negative impact—both export, which "reduces the resources on the domestic market", and import, which "reduces the interests in increasing our own production".

Having found myself recently in France—one of the world's largest food exporters, I decided to see how foreign trade affects the food supply there. Here is a specialty store selling cheeses on the Paris Rue d'Amsterdam. It sells almost 160 varieties of French cheeses, and here too are around 30 brands of imported cheeses (Swiss, Italian, English, Dutch, Belgian). At the markets there is a huge selection of vegetables and fruits, and not only those which are locally produced, but also from Africa, Latin America, Asia, the USA, and Holland. The selection includes bananas, citrus fruit, strawberries, kiwi, avocados, and early tomatoes—and all at rather low prices. In the "supermarkets" one can find food products from most countries of the world, including also the socialist countries.

After the picturesque abundance in the stores and markets, it is no less interesting to acquaint ourselves also with the dry, but rather expressive, data on France's foreign trade in food products, obtained from the Ministry of Agriculture. Since 1978 the country has never purchased more products than it has exported, and last year its export reached 163 billion francs, and exceeded imports by a record amount—41.6 billion. Processed goods accounted for over 61 percent of the export and 64 percent of the import, and the rest was comprised of raw goods. Grain, wines and alcoholic beverages, meat and livestock, dairy products, butter, fruits and vegetables accounted primarily for the exported goods. Primary among the imported goods were meat and vegetables, fish, fodder, and dairy products. But here is the curious fact: As the figures show, France exports and imports food products of practically the same commodity groups. However, this is not an economic absurdity, but a means of rational participation in international division of labor and effective utilization of the produced resources for the purpose of saturating the domestic market with different varieties of goods.

A similar picture may be observed in all of the developed countries. Thus, the USA is the largest food supplier to the world market (\$32 billion in 1988), and at the same

time also buys \$19 billion worth of food products. Even Japan, which is forced to buy more food than any other country in the world due to its extremely limited land area, exports over \$1 billion worth of food products. Many of the socialist countries of Europe and the PRC also actively use foreign trade for replenishing their food resources as well as for increasing export supplies.

Thus, in itself, a large food import or export, considering world experience, cannot be considered to be some kind of negative phenomenon. In evaluating foreign trade in food products, we must take a weighted approach, not to rush to extremities, to consider its structure, the coverage of import by export, and the economic effectiveness of the operations.

What is the situation in the Soviet Union in this regard?

The fluctuation of the country's foreign trade in food products is entirely determined by import, while export has been frozen at the level of the early 70's—around 1 billion rubles worth. Moreover, it consists to a significant degree of re-export—purchases made in one country for delivery to another. From the early 70's to the mid-80's, import has increased due to centralized state purchases to cover actual needs as well as to cover shortcomings in the amount and quality of goods produced by the departments responsible for product manufacture. The import of a number of important goods such as grain, sugar, and butter reached a very high percentage of the volume of state purchases, which reflect the supply situation more precisely than the production figures. As a result, even moderate fluctuations in purchases are immediately reflected on the store shelves. When import is reduced, there are interruptions in supply, and vice versa.

Thanks to the reduction of world prices on food products and the measures taken to reduce purchases abroad, food imports have declined from 15 billion rubles worth in the mid-80's to 9 billion in 1987. However, last year under the influence of strengthening market conditions and increased purchases of a number of goods, there was once again an increase in import and in the deficit.

A great imbalance in trade and a totally undeveloped export system is one of the primary problems not only of foreign trade, but also of the country's food provision as a whole. Due to the trade imbalance, it is difficult to expect an expansion of import of such products as coffee, citrus fruits, early fruits and vegetables, and many others into our country. The main reason for this state of affairs may be seen in that the immediate producer is not interested either in reducing import, or in developing export.

Yet already at the present time there are favorable possibilities in the USSR for specializing in the production of certain export goods. For example, sunflower seed oil is one of the most expensive on the world market. The Soviet Union could easily allocate rather notable amounts of this product for export purposes, and for the currency obtained it could buy cheaper types of



oils which may be used for processed margarine and for other purposes, including non-food applications for which sunflower seed oil is currently expended.

To obtain currency, we may also utilize the seasonal character of operation of many of the food industry enterprises, loading them in the off season with imported raw materials for subsequent export. Thus, often refined sugar costs considerably more on the world market than raw sugar. Under these conditions, it is expedient to obtain above-plan raw sugar on the "free" market, and at the same time to sell refined sugar, specifying more remote delivery times. The raw sugar could then be brought into the country, refined, and the refined sugar then exported. The currency influx, according to computations, would not only cover all the ruble expenditures, but would also bring in a sizeable profit.

In regard to a number of goods produced in the country, but also imported, we could, as we have already proposed, buy above-plan foodstuffs as part of the import plan with partial currency mark-ups. This would ensure not only a reduction in the expenditures for import, but also a greater savings on transport expenditures. However, in a large number of cases, direct export is more economically expedient than import replacement.

The available reserve for developing assortment trade is practically not being utilized. This is primarily due to the lack of correspondence of the interests of the exporters-producers and the interests of the importer-departments, as well as lack of flexibility, interdepartmental dissociation, and a narrow departmental approach. For example, many socialist countries, in order to replenish their meat resources, opt for the export of more expensive varieties of meat and the quality portions of carcasses and prime cuts, which are valued higher on the world market. Thus, hind quarters cost 2-3 times more than front quarters. Beef is almost twice as expensive as mutton and poultry, and 1.7 times more expensive than pork. Then they use the funds which have been obtained [from these sales] to buy cheaper varieties of meat and cuts. The tangible difference in prices allows them to increase the supply of meat offered on the domestic market, as well as to replenish the budget. Evidently, for the USSR, under conditions of a meat shortage, such a practice might also be advisable.

We can give examples also for other types of goods such as vegetable oils, fodder grain, goats, and cocoa. However, for this it is necessary to increase the flexibility and economic interest of the direct consumers of these goods. Specifically, the relations of prices for different varieties of mutually interchangeable consumable vegetable oils under the influence of fluctuations in supply and demand on the world market are constantly changing. The difference sometimes reaches \$100 per ton or more. If the foreign trade organizations were tied down to a rigid plan, it would be possible, based on the conditions of the world market, to substitute, for example, soybean oil with coconut oil, palm oil or "kanola" with great savings of currency.

The world practice for times of import and export of goods also gives some interesting examples. China exports grain after the crop harvest, and imports it later, as it is needed. Because of a shortage of grain elevators and storage facilities, Argentina tries to export grain and oil-producing crops immediately after the harvesting and processing of the seeds. Such a practice is applicable for countries with a weakly developed storage and processing base. It is significantly more profitable than storing the crops under the open sky or in buildings which are not adapted for this purpose, which results in disruption of technologies, and consequently excessive losses. In fact, export in this case represents the sale of those products which would have been lost. In the USSR, until the program for building capacities for processing and storage is realized, the implementation of such export operations would be fully expedient. With a prudent organization of the matter and appropriate organization of transport, the export of such potential losses can already today in significant measure cover the expenditures for import of food products.

Considering the size of our country, it is probably more expedient to bring in food products to the Far East from abroad, and not to transport them across the entire country. The currency for these deliveries may be earned from the export of food products from the European part of the country.

In order to realize the export potential of the APK [agroindustrial complex] sphere and its harmonic inclusion into the international division of labor, appropriate levers are needed. They may include the level of currency deductions and various export privileges, as well as favorable conditions of cooperation of the APK enterprises with foreign companies in the sphere of investment cooperation, and special incentives for attracting Western managers, farmers, and high-class specialists to agriculture, processing and storage. It is also important that the immediate producer receive the direct effect from such currency stimulation. Unfortunately, prior to April 1989, the main profits from the export of surplus [above-plan] food products often went to cooperatives and to various mediators, including all kinds of joint enterprises which themselves had not expended any effort for the production and processing of these products.

Yet it would also be unjustified to fall into the other extremity which has become apparent today—to introduce excessive limitations and various bureaucratic obstacles in the path of agrarian export. Such an approach may cut at the root the very possibility of such development. The optimal solution would be to simplify the export procedure realized through all-union foreign economic associations (VVO) such as "Eksportkhib", "Prodintorg", "Soyuzplodoimport", and to create on their basis trade houses which carry many kinds of goods and compete with each other. These would cooperate on a voluntary basis or within the framework of intersectoral associations, concerns, or other forms of associations.

with kolkhozes, sovkhoses, agrocombines, processing enterprises, grain elevators, and transport enterprises.

In China, which embarked upon the path of reform before many of the other socialist countries, the main portion of export and import of food products falls to the Chinese national company for export and import of grains, vegetable oils and foodstuffs. Aside from the main foreign trade companies, [this national company] includes 42 departments in the provinces and autonomous rayons which have purchasing centers, warehouses, refrigeration facilities, and transport. This company also has several departments and subsidiary companies abroad, as well as its own fleet and building capacities.

An important role in developing export belongs to the degree to which producers are informed about the world market conditions. The requirements for quality, future development of demand and prices, level of prices and methods of determining them, possible counteragents, trade-political conditions, and the search for the most profitable goods and operational variants for the future. This information is necessary not only for concluding certain specific deals, but also for developing a strategy for investing in various sectors of agriculture and in the processing capacities based on possible tendencies in development of the world market.

Of course, the proposed measures may be viewed only as a beginning. For the stable and significant increase in export, in addition to the rationalization of trade and the increased effectiveness of participation in international trade, it is necessary to have improved quality of products, increased portion of highly processed products, basic changes in packaging and labelling of goods, increased storage capacities, and improved transport. Yet it is also no less important to overcome that essentially anti-market, command-administrative psychology of self-isolation, the isolation of the peasant from the world market.

#### **Poor Use of New Technology, Methods in Latvia's Factories**

18080059 Riga CINA in Latvian 18 May 89 p 4

[Report compiled by Gints Moors from data of the State Statistical Committee: "With What Will We Conquer the World Market?"]

[Text] Over a third of our republic's manufactured mechanical engineering products are suited for export. Exportable goods are produced by all mechanical engineering enterprises, but only a sixth of them travel across the border. The volume of export production paid for with convertible currency comprises only a half percent of the finished product volume. 85 percent of currency income is provided by three factories: the Daugavpils supply chain [unclear] factory (1.7 million rubles), the Riga agricultural machinery factory (1.4 million), and the Valmiera firefighting equipment factory (0.6 million). These enterprises export manure-spreaders,

bicycle chains, supply chains and 25-liter cans. But few and poorly. By the way—the mechanical engineering factories in Liepaja export 14 times more.

Mechanical engineering production is being slowly renewed. Principally only less than 2 percent of production meets the category of new production achieved in the Soviet Union for the first time. The achievement indicators of new production are very low at the Rezekne electrical construction equipment factory, the Daugavpils supply chain factory, the Daugavpils electrical instrument factory, and the Jelgava agricultural machinery factory.

At the Liepaja and Riga agricultural machinery factory, the Daugavpils supply chain factory, and the Riga diesel factory the specific weight of production which has been produced for ten and more years is too high. The respective figures are 94.8, 91.4, 86.2, and 48.2 percent; the average branch indicator is 25.6 percent. Only half of mechanical engineering enterprises have finished producing 50 antiquated types of production, but in their place only 27 new products have appeared.

The indicators look good for the introduction of progressive technology in RER [not further identified], the Rezeknes milking equipment factory, the Rezekne electrical construction equipment factory, and the Riga Automobile Factory (RAF) accounting department. But in this direction in the last years nothing has been done in the Valmiera firefighting equipment factory, the Ventspils ventilator factory, and the Jelgava agricultural machinery factory.

In the mechanical engineering complex almost half of the equipment has been in use ten and more years. Last year only 1.5 percent of equipment was replaced. The diesel factory, the Rezekne milking equipment factory, the RAF and Valmiera firefighting equipment factory used all the newly-received equipment not to replace the old equipment, but rather for the expansion of production. Therefore—the harmful extensive path.

More than a half of mechanical engineering enterprises in the space of a year have not mastered any new methods of producing national consumption goods. The 30 mastered new articles are technically simple, even primitive. The Riga truck factory is producing in great volumes cabbage planes mastered already in 1962 and the agricultural boxes from 1977; the Riga diesel factory—potato-cleaning brushes (since 1971); the Riga agricultural machinery factory has been producing chess pieces and can openers for more than ten years; and for just as long the Rezekne milking equipment factory for great sums supplies commerce with covers, boxes, rakes and similar sundries. If a cooperative were set up for the production of these small items, then in factories there would be free space, capacity, and manpower for the manufacture of more complicated and just as and even more useful production.

### Foreign Exchange, Finances Under Perestroika

18250186 Moscow FINANSY SSSR in Russian  
No 6, Jun 89 pp 61- 67

[Article by Yu.A. Konstantinov, professor and doctor of economic sciences: "Foreign Exchange, Finances under Perestroika"]

[Text] In 1988 the USSR Council of Ministers published a decree "On the Further Development of the Foreign Economic Operations of State, Cooperative, and Other Public Enterprises, Associations, and Organizations." On 1 April 1989 all of them were granted the right to conduct export-import operations directly, on the basis of self-funding and the fuller use of commercial relations.

Much is being clarified and reorganized in the monetary mechanism of foreign economic operations, but much more work still lies ahead. This makes higher demands on currency policy, which is closely related to financial policy. Now currency policy must be more flexible and adaptable to a variety of economic decisions and must do more to strengthen finances and the state budget and to stimulate more effective export-import operations and the efficient use of currency resources. It has been calculated that each ruble in currency saved on imported footwear represents a loss of 7-8 rubles in retail trade because of the current price structure.

Foreign economic operations have an important role to play in heightening the stability of the income base of the USSR state budget. In 1989 this sphere is expected to generate 60 billion rubles in revenues, and most of the sum will come from exports.

**Pluralism of opinions.** One of the important functions of currency policy is the determination of the shortest routes to productive financing. How are these routes discovered and how is their effectiveness corroborated? This naturally entails the thorough discussion of the problem, the expression of conflicting points of view, and the renunciation of the dogmatic belief in absolutes. We must believe that tomorrow's solutions to various problems will be better than today's.

In this context, we can only applaud the "boom" of suggestions and opinions being expressed today in our press and at various forums with regard to currency policy. In particular, much is being said about ways of strengthening the Soviet ruble in the context of social objectives and the possibility of its convertibility in the future. This is a valid point. The ruble cannot be a viable foreign currency—i.e., a medium of international payments—if it is not strengthened in the domestic market first.

Economists frequently quote an excerpt from V.I. Lenin's speech at the Comintern congress on 13 November 1922. "Something of genuine importance is the need to stabilize the ruble. We are working on this, our best forces are at work on this, and we attach decisive

importance to this. If we are able to stabilize the ruble over the long range and then forever, we will win.... Then we can put our economy on a firm foundation and carry out its further development on this foundation."<sup>1</sup>

Although Vladimir Ilyich expressed these opinions 67 years ago, they are still relevant today. After all, we are dealing once again with the old problem of the destabilization of the ruble. Here are the facts: Money is plentiful in the national economy, but goods are few in number, their prices are rising, and the ruble is losing value. Our economists tell us that the purchasing power of the ruble is almost 60 percent lower than it was in 1961.

What is the exchange rate of the ruble in relation to other currencies? According to a popular saying about the relative exchange rates of the pound, the dollar, and the ruble, a pound of rubles is equal to a dollar. This joke is a subtle reflection of the worries about our Soviet ruble.

The exchange rate of the ruble is an important problem which must be solved without delay. But how? This has also led to the expression of a variety of opinions.

Some people say that 1 U.S. dollar buys 5 Soviet rubles on the Moscow "black market." In this context, they wonder what the true exchange rate of the dollar is. Is it the one offered to tourists by suspicious individuals or the official rate? As always, the answer is that the rate shaped by natural market factors is closer to reality. Then should the rate at state exchange points be closer to the other rate? After all, it is impossible to deceive reality. Yes, it is true that reality cannot be deceived, but the exchange rate of currency cannot depend only on the "black market."

It is no coincidence that some Soviet economists are asking how the weak ruble can become a convertible currency, the need for which is being discussed with increasing frequency today. On the assumption that a second-rate currency cannot be convertible, they quote a remark M. Ye. Saltykov-Shchedrin made long ago: "Now when you go abroad you get 50 kopecks for a ruble, but soon you will get a slap in the face."

When people speak of the "dwindling" ruble, its diminishing commercial value, and the related long lines in stores or even empty counters, they recall the massive monetary reforms of the past and the finance officials who instituted these reforms. They recall, for example, the gold ruble Finance Minister S.Yu. Witte introduced at the end of the last century, which strengthened the economy and made it possible to use Russian currency in international payments. They recall the first USSR people's commissar of finance, G.Ya. Sokolnikov: In the 1920's he instituted a monetary reform which gave the national economy a solid Soviet 10-ruble note—a gold certificate. Publications of that time called it a "phenomenon of the efficient economy," treated with the greatest respect by the financial bosses of the capitalist world.



Now there is no more gold currency in the USSR or in any other state in the world, but all of them are experiencing the need for a strong currency. Today it represents the central element of the economic mechanism. The possession of this kind of currency secures the reliable estimation of expenditures and results, which is essential to self-management, planning, and self-funding. A historical analogue to the gold ruble, however, will not help. We cannot return to the past.

**Value of the ruble.** The problem of strengthening the ruble in the 1920's and today essentially represents two problems. One is the need to stabilize the ruble and increase its nominal purchasing power. The other concerns actual purchasing power, or the possibility of putting existing rubles to commercial use, representing the firmness of the unit of currency. The first is a matter of price levels and the second is a matter of commodity supplies. Both are important in the reinforcement of the ruble.

Today we are all experiencing the effects of both factors. The prices of some goods are rising and the lines in stores are growing longer. Empty store counters are difficult to reconcile with perestroika, which allows people to earn money through conscientious labor and motivates them to work more productively and thereby earn more. There are certain facts which cannot be escaped, however. People do not want to work harder just to have more money. After all, it is difficult to convert the money into goods—food and non-food items. But without more productive labor the final goal of perestroika—the dynamic development of the Soviet economy—cannot be attained.

Inflationary tendencies are clearly apparent in monetary circulation in the country. Between 1971 and 1985 the output of consumer goods doubled, but the amount of money in circulation more than tripled. This disparity evoked the predictable reaction from retail prices: They rose. The rise in average retail prices was responsible for around 30 percent of the increase in commodity turnover in 1971-1975, 49 percent in 1976-1980, and 57 percent in 1981-1985. To a certain extent, the growth of private income has gone out of control. In the 12th Five-Year Plan wages were expected to increase more slowly than retail commodity turnover. In reality, they increased almost twice as quickly in 1986-1988. Annual plan estimates for 1988 projected an increase of 4 rubles in the average monthly wage, but the actual increase was 14 rubles.

What we are dealing with is a growing discrepancy between monetary and commodity volumes which must be corrected. But how? With a monetary reform? On what basis—gold? Everyone realizes that this is impossible today because the decisive factor in the value of the ruble is the supply of commodities, but it is difficult to reform monetary circulation on a commercial basis.

The fact is that the current devaluation of the ruble in the consumer market stems from several deep-seated

factors. They include the flaws in the production structure (dating back to the lengthy period of concentration on Group "A"—i.e., the products which could not compensate for the rise in public income), the underdevelopment of services, ineffective expenditures, mistakes in investment and social policy, and the state budget deficit, which totaled 35 billion rubles, or over 7 percent of budget expenditures, in 1989. The failure to reduce and then eliminate the budget deficit could have the most serious consequences, including the further escalation of inflationary processes in our economy and the further devaluation of the ruble, because it will necessitate the issuance of bank-notes unsecured by goods and services.

Furthermore, the circulating ruble requires the support of not only goods intended for sale to the public at retail prices, but also the means of production. In the final analysis, the material basis of the stability of the ruble is the entire gross social product. For this reason, consumer goods in the retail trade network cannot objectively reflect the extremely dynamic national economic proportions connected with the circulation of goods and money and the system of distribution through wages, prices, credit, and the budget. These proportions, however, have also been violated to some extent.

The main cause of difficulties is the lack of balance in the market, which, in turn, is connected with the neglected state of the country's finances and with the equally important factor of the inadequate development of commodity production. Our financial difficulties did not come into being today. They were inherited from the time when priority was assigned not to economic efficiency, quality, or the final result, but to the "gross product," to "oil money," and to sales of alcohol in huge quantities to cover budget overexpenditures.

As M.S. Gorbachev said, "we are now changing our approaches to economic issues, but the national economy is still being smothered by the weight of problems accumulated in the past. We still have not been able to stop inflationary processes and reduce the amount of money not covered by goods."

Under these conditions, especially in view of the difficulties in the commercial use of money, the institution of monetary reform is tantamount to shaking a thermometer to bring down the temperature but not treating the illness. A reform entailing the exchange of some bank-notes for others and the removal of some from circulation is no medicine for a sick economy. It can only balance the supply of money with commodity resources for a short time until the discrepancy returns. Furthermore, the political cost would be too high: Part of the population would probably turn completely against perestroika.

But what about the people who have a great deal of money? This question is asked frequently and is usually used to substantiate the need for the exchange of money. The answer seems simple enough: People who earned the

money honestly should keep it. No one has the right to institute a reform to take their money away from them. Those who stole the money, on the other hand, should be subject to severe criminal penalties.

The problem of strengthening the ruble is closely related to the provision of manufacturing enterprises with the goods used for production and technical purposes—equipment, crude resources, and other materials. An analysis indicates that economic incentive funds do not absorb all of the income earned by enterprises. A great deal of money remains in bank accounts.

To eliminate this disparity, we should give up the authoritarian system by which enterprises are allocated limited sums for production equipment and institute wholesale trade in the means of production. Now the inadequate size of the wholesale trade network leads to the accumulation of huge reserves in enterprise warehouses, equivalent to around 470 billion rubles in 1988, or more than half of the gross national product.

An analysis of the experiments in monetary reform in the 1920's convinces us that the success of this reform was due not only to the institution of the gold-based currency which helped to stabilize the ruble and expand foreign trade operations. The monetary reform was based on the new economic policy which provided strong momentum for the development of production and the augmentation of the physical volume of commodity stocks, especially foodstuffs. In combination with the economic accountability of trusts and enterprises, this created additional sources of state budget income and improved the state of Soviet finances, which represented an important factor in the elimination of inflationary processes. In essence, we must do the same thing today. Securing the stability of the ruble today will entail a resolute shift of emphasis in the economy in favor of public consumption, the optimization of the growth rates of Group "B" in industry, the enhancement of the effectiveness of all production, and the reinforcement of the national economic balance.

**What is the purpose of the gold reserve?** In view of the indirect connection between the stability of the ruble and gold, it is wrong to accuse the economists who suggest the sale of part of the gold reserve through foreign trade channels for the purchase of consumer goods on the world market, and the consequent reinforcement of the ruble, of economic illiteracy. After all, all of the world's currencies, including our ruble, have no value of their own and represent credit obligations. In other words, they represent the government's promise that the owner of the rubles can convert them into items of tangible physical value or "commercialize" them, which is one of the most important economic functions of a government underwriting social guarantees for the laboring public.

V.I. Lenin attached special importance to this. Guided by profound political realism, and certainly not by liberalism, he made this resolute statement at the 10th

RKP(b) [Russian Communist Party (Bolshevik)] Conference when the situation with regard to commodities in the country became a serious problem: "The gold reserve has to be used to buy consumer goods, contrary to our earlier program (it stressed the need to buy machines and equipment—Yu.K.). Our earlier program was theoretically correct, but impractical."<sup>2</sup> This is how V.I. Lenin laid the social foundation for the new economic policy to correct the stagnation engendered by "military communism," fully aware that this was an extraordinary but essential measure.

In our current economic situation, now that we are still having difficulty surmounting the stagnation in the national economy, are we using gold to obtain currency for the purchase of necessary goods on the world market? Yes, we are. We usually have to do this because Soviet exports are mainly crude resources. Besides this, we have to sell our gold when exports do not cover imports.

To finance imports, the USSR usually sells gold in bullion, in pure gold bars weighing around 12.5 kilograms. The sales are conducted by the USSR Foreign Economic Bank, and frequently without the physical shipment of the gold, but simply by issuing the buyer the appropriate documents of ownership rights to part of the metal stored in an overseas bank. Gold is transported physically only when the country does not have enough gold in overseas banks.

Gold can also be sold in gold coins. In the 1970's, for example, a gold 10-ruble piece was minted at the request of the USSR Foreign Economic Bank (then called the Foreign Trade Bank). The bank sold these gold coins abroad for foreign currency. That was a time of lively activity in world gold markets. The demand for gold as a "shelter" against economic and political upheavals rose dramatically at that time and the price of the metal skyrocketed. The cost of gold coins was high. The trade in 10-ruble coins was profitable under those conditions, and the USSR received more for them than it would have earned from the sale of gold bullion.

Coins for sale for foreign currency were also minted in the USSR during and after the Olympic Games in Moscow. Coins made of precious metals were also issued at that time—gold, silver, and platinum. The coins were minted in denominations of 5, 10, 100, and 150 rubles. In this case the USSR made use of the international experience in financing the Olympics. These operations provided the Soviet Union with the currency it needed to hold the Olympic Games.

To increase the flow of incoming foreign currency and thereby augment the state's financial potential, it would probably be worthwhile to make more extensive use of the market for numismatic collectible coins. A commemorative coin market does exist in the world, and many states are active in this market. Collectible coins now number in the hundreds. In 1988 the USSR was already making use of this opportunity. In September 1988 the USSR Ministry of Finance and the USSR State Bank

began circulating coins commemorating the millennium of ancient Russian coinage, literature, and architecture and the advent of Christianity in Russia: silver 3-ruble coins, gold 100- and 50-ruble coins, platinum 150-ruble coins, and palladium 25-ruble coins. This coinage was of a numismatic nature. The coins were sold abroad and in the USSR. In this way, their issuance augmented foreign currency and ruble resources. Collectible coins are sold by Mezhtnumizmatika, a joint enterprise founded in 1988 by USSR Gosbank, the USSR Foreign Economic Bank, and Ost-West Handelsbank (FRG).

Currency policy should probably continue to be geared primarily to these goals with the use of the country's gold reserves. To maintain the stability of the ruble, it will be important to augment state commodity stocks, primarily through an increase in domestic production and the expansion of the service sphere, including cooperative service enterprises.

**Economic maneuvers and imports.** Today imports are sometimes regarded as an economic "filler" which came into being because we do not have enough high-quality goods of our own. This, however, is not a permanent situation. The "import fever" will certainly die down in the future. In the middle of the current five-year plan our country's leadership conducted a massive economic maneuver: Many of the resources designated for the development of the means of production were redirected to strengthen the material base of the social sphere and expand food production. The same maneuver will be conducted in the future. Whereas the growth of Group "B" in industry was only 1.1 times as high as the average in the first 3 years of the five-year plan, a figure of 2.3 times has been projected for 1989. Our country has never experienced this degree of priority growth of Group "B." Another contributing factor will be the substantial regrouping of financial investments to promote the quicker development of Group "B," where the speed of capital circulation is 3 or 4 times as high as the national economic average. A special system of financial privileges will also be instituted to give enterprises an incentive to increase the output and expand the assortment of vital necessities.

Our country has resolved to increase the output of consumer goods at enterprises in all sectors, and not only in light industry. The Government of the USSR has allocated resources and is creating the necessary conditions for a much larger supply of consumer goods of high quality before the end of 1990 than the volume stipulated in the five-year plan. All of this will establish the necessary conditions for the reduction of the shortage of commodities and the reinforcement of the ruble.

Our country still has to import some foods and grain in large quantities. In 1987 alone, foreign economic organizations in the USSR imported more than 31 million tons of raw sugar, over 800,000 tons of meat and meat products, 400 million sewn and knitted garments, 140 million pairs of footwear, and many other commodities. In all, imports of these products cost 17.7 billion rubles

in foreign currency. One out of every five kilograms of meat consumed by the population in 1988 was "foreign"—i.e., bought with foreign currency. By 1988 foodstuffs and the raw materials for their production represented more than 20 percent of total USSR imports (from non-socialist and socialist countries), and manufactured consumer goods represented around 12 percent.

The foreign currency which is so difficult to earn, however, is not always used efficiently. As speakers remarked at a session of the USSR Committee of People's Control, the administrators of the USSR Ministry of Foreign Economic Relations, USSR Ministry of Trade, and USSR State Agroindustrial Committee pay little attention to the quality of purchased goods. Defective and substandard goods frequently arrive in our sea ports and our coastal railroad stations. According to the data of the USSR State Committee for Statistics, 806,000 imported sewn and knitted garments and 563,000 pairs of footwear were rejected during inspections at wholesale bases of the union republic ministries of trade. In just 3 months in 1988, from July through September, the unspoiled Moscow customers had to return almost 13,500 pairs of defective imported footwear and many foreign sewn and knitted garments to stores. This is incompatible with the requirements of our state's social policy and the need to strengthen Soviet finances. It is clear that the levers of financial liability for the efficient use of foreign currency are not working properly, and this will require the appropriate adjustments in the sections of our currency policy that are expected to improve the economic mechanism of foreign economic operations.

This is all the more important now that the government's import policy is geared not only to the attainment of the main objectives of social development in the country, but also to the provision of the national economy with advanced equipment corresponding to world standards and with scarce crude resources and materials.

**Currency status and exports.** One of the important functions of currency policy is the search for possibilities for the fuller use of all means of strengthening the country's currency status. The situation has remained strained, however. This is due to several objective difficulties impeding the development of exports and determining the state of currency transactions with various countries. These difficulties include the drop in the world market prices of the main Soviet export goods (petroleum and petroleum products); the continuously rising prices of some import goods; the reduction of foreign currency receipts from developing countries in repayment of previously extended credit; the negative balance of payments with some CEMA countries. The state budget of the USSR has been short almost 40 billion rubles in revenues since the beginning of the 12th Five-Year Plan. As a result of all these factors, foreign trade turnover is expected to decrease by 2 percent in 1989 in comparison with the projected figure for 1988. In current prices it decreased from 142 billion rubles in 1985 to 132 billion in 1988.



The main reserve for a steady flow of incoming foreign currency consists in developing commercial operations on the foreign market, increasing Soviet exports, improving their structure, and increasing the share of industry accounted for by processing branches. At this time fuel and electricity are the main Soviet exports.

Machines, equipment, and transport vehicles, on the other hand, represent only a negligible portion of exports. Prices of fuel and crude resources on the world market, however, are subject to abrupt fluctuation. The experience of industrially developed countries testifies that exports of technical products are the most stable part of their foreign trade. The prices of these are less subject to fluctuation than the prices of crude resources and fuel. They can rise even during periods when the prices of fuel and crude resources decline. Of course, this would also be true of Soviet exports of machines and equipment, but certainly only if they correspond to world quality standards. At this time a high percentage of our machine-building products are far below this level.

At a meeting of the USSR Council of Ministers on 4 February 1989 it was reported that the proportion accounted for by machines and equipment in Soviet export transactions had declined to 11.7 percent in 1988, as compared to 13.9 percent in 1985. Furthermore, machines and equipment represent only 3 percent of deliveries to developed capitalist states. Soviet industry is still producing aircraft, motor vehicles, tractors, and agricultural machinery which differ little from earlier models and are considerable inferior to their Western counterparts in their technical and economic features. Foreign firms submitted more than a million claims to the Soviet side between 1986 and 1988. It took more than 104 million rubles to settle them. Many products are returned for finishing after quality inspections.

The beginning of this year did not provide any grounds for optimism either. The creation of stocks for the completion of 1989 assignments is arousing serious worries. Inefficient work is interrupting the flow of foreign currency revenues.

Expanded operations by joint enterprises might serve as another source of foreign currency. This could attract additional capital. To date, capital has been attracted in this manner on an extremely small scale. In the future, however, currency revenues will grow as joint enterprises begin operating more extensively. The decree the USSR Council of Ministers published at the end of 1988 envisages measures to promote the establishment of joint enterprises in our country with the participation of organizations and firms in foreign countries. In particular, the relative holdings of Soviet and foreign participants in a joint venture are determined by their agreement. Goods shipped into the USSR for the production development needs of a joint enterprise could be exempt from customs duties or be subject only to minimal rates.

The USSR Ministry of Finance has been granted the right to exempt part of the profits of a foreign participant in a joint venture from taxation for a specific period of time when these profits are transferred abroad or to lower the tax rate if no other measures of this kind are stipulated in an agreement between the USSR and the corresponding state.

Public organizations and professional groups probably should also be given broader access to the foreign market because they can also earn foreign currency. I am referring to artists, architects, musicians, and physicians. In October 1988, for example, an agreement was signed in Paris on the establishment of Iris, a joint Soviet-French enterprise, for the treatment of eye diseases on a commercial basis. The agreement was signed by the Eye Microsurgery Intersectorial Scientific and Technical Complex and the USSR Foreign Economic Bank and by the French Bouchigue and Pullman companies and four French banks. The French side is to participate in the construction of a large hotel in Moscow to serve simultaneously as a hospital and an inn. A clinic will also be located on the grounds. Foreigners with freely convertible currency will be treated in the complex. This will create an additional source of this currency. With this currency, the country can buy new medicines and the latest medical equipment for our own population and thereby offer it first-rate medical care.

Other ways of enhancing the effectiveness of foreign economic operations and increasing currency resources also exist. In a speech in Krasnoyarsk on 16 September 1988, M.S. Gorbachev said: "We are also considering the creation of special 'joint venture zones' in the Far East, with preferential customs, licensing, and tax advantages and with natural and labor resources at a lower cost." Plans to expand the role of local government in the management of foreign economic operations have been announced. Part of the currency receipts of Far Eastern exporting enterprises are to be left at the disposal of local government agencies. A statement in the Chinese press about the possibility of developing trilateral Chinese-Japanese-Soviet economic operations on mutually beneficial terms has aroused interest in the USSR.

Much is being done today to earn foreign currency. This is also the purpose of such economic levers as self-funding and the common financial receipts from domestic and foreign economic operations. The interests of economically accountable enterprises should not come into conflict with the objectives of state social policy in this sphere, but this is happening. In 1988 many Muscovites were asking where they might be able to buy an electric iron and were told that there were no irons for sale and that the occasional shipments were bought up immediately. The suppliers of this product, however, increase their output each year. The reason for the shortage of irons in Moscow is that irons are sold in huge quantities abroad for foreign currency. This is what the foreign trade firm of the

Electrical Plant imeni V.V. Kuybyshev—the Moscow market's main supplier—does, for example. The plant has been less active, however, in selling transformers—its main product—on the foreign market.

In our opinion, the best course of action in this case would be the following: Without underestimating the importance of the development of exports and the augmentation of currency receipts and without encroaching upon the autonomy of enterprises, they should be allowed to trade on the foreign market only after their own domestic market has an adequate supply of their goods. Obviously, this would be a forced move and only a temporary one, but the shortages have made it essential at this time. In view of this, the USSR Council of Ministers asked the USSR Ministry of Foreign Economic Relations to institute export and import quotas and licenses for specific periods of time, with the consent of the State Foreign Economic Commission, for certain goods, services, countries, or groups of countries with a view to the balance of payments and other economic and political conditions.

**What should the currency exchange rate be?** The new economic mechanism for the management of foreign economic relations, which is still being perfected, is expected to aid considerably in the augmentation of sources of foreign currency revenues. This was the purpose of the decree the USSR Council of Ministers published at the end of 1988 on this matter. In particular, it envisaged a new approach to the use of the ruble exchange rate, which will promote the development of Soviet exports and aid in the quicker modification of our country's position in the system of international division of labor.

During the period of authoritarian methods of economic management, the official rate of exchange was intended primarily for planning and statistics. It was set by means of directives and was based on the relative purchasing power of comparable currencies for the entire national product. The basic official rate of exchange for the ruble was set by the USSR Council of Ministers and was revised at distant intervals, usually coinciding with major changes in the country's pricing and monetary systems. The last official rate of exchange, for example, was set on 1 January 1961: 100 U.S. dollars to 90 Soviet rubles. After two devaluations of the dollar in 1971 and 1973 the correlation decreased to 74.61 rubles. With the "currency basket" method now commonly used in international practice, USSR Gosbank (with a view to the real value of comparable currencies) quotes the exchange rates of foreign currencies in Soviet rubles. The rate has recently been around 0.6 rubles to the dollar.

Those who say that the base rate of exchange is invalid, however, are wrong. In view of the procedure used to calculate the rate and the reasons for which it was calculated, it seems to have been valid. The rate was

calculated for all national production, by comparing the prices of many goods in rubles and dollars. Because the rate of exchange is always an average figure, however, it might seem unrealistic to Soviet tourists for goods sold at a lower price in the United States than in the USSR—for example, jeans, umbrellas, and radio and video equipment. If jeans cost 20-25 dollars in the United States and 100 rubles in our country, it does seem that the dollar is worth more than 3 rubles, and not 60 kopecks.

The value of a currency, however, is judged not by jeans or other such items, but by a huge variety. There are many goods and services which are much cheaper in the Soviet Union than in the United States. In the case of these goods and services, the dollar is not even worth 60 kopecks, but much less: around 21 kopecks for airline tickets, 11 kopecks for railway tickets, 10 kopecks for theater tickets, and 7 kopecks for men's haircuts. Therefore, even to a tourist a ruble might sometimes seem more valuable than an American dollar.

What then is the current problem in the exchange rate of the Soviet ruble? In our opinion, it has two interrelated aspects: the calculation base and the connection with real economic processes, including the balance of payments. If we want the ruble exchange rate to give our exporters an incentive to expand exports, it should be calculated in the manner now used in many countries, including socialist countries—in line with the structure of exports, and not of production, by comparing average levels of domestic and foreign prices. This kind of exchange rate would reflect the real conditions of foreign trade and allow for accurate estimates of the true effectiveness of exports and imports.

The move envisaged by the USSR Council of Ministers to the use of a new currency exchange rate in foreign economic transactions on 1 January 1991 is important in this connection. It acknowledges the need to simplify the existing system of accounts in the export-import operations of state enterprises, associations, and organizations by gradually discontinuing the use of currency differentials in the conversion of actual contracted prices into Soviet rubles.

Prior to the use of the new currency exchange rate in transactions, a 100-percent increment in the exchange rate of freely convertible currency to the ruble is to be instituted in domestic transactions on 1 January 1990. For Soviet enterprises working for the foreign market, this will secure the profitability of a sizable portion of their exports for freely convertible currency.

The USSR Council of Ministers has also envisaged other measures to reinforce economic incentives for highly effective foreign economic operations through

currency funds, the maneuvering of these funds, the institution of currency auctions in the country, and the more consistent development and intensification of the currency self-sufficiency of enterprises, associations, and organizations. All of this will serve as an important instrument for a more active state currency policy and will strengthen Soviet finances.

**Footnotes**

1. V.I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 45, p 283.
2. Ibid., vol 43, p 69. COPYRIGHT: "Finansy SSSR", 1989



### U.S. Sovietologists Interviewed

18070727 Moscow IZVESTIYA in Russian  
15, 16, 18 Jul 89

[Interview with U.S. Sovietologists by A. Vasinskiy and A. Shalnev, special IZVESTIYA correspondents: "Sovietologists at Home"] [15 Jul 89 p 5]

[Text]

### Within the Walls of Cambridge

America is the kind of country that allows itself to have a multi-branch Sovietology distinguished by a broad pluralism of opinions: in the corridors of Russian centers at the numerous American universities it is no wonder to encounter an orthodox Marxist. We counted dozens of research centers studying the Soviet Union.

We know what we have: some departments of what can be called Americanology teach at some humanities VUZes. And there is only one research center concerned exclusively with America. That is the academic ISKAN, or the USA and Canada Institute. Again, a monopoly—a monopoly of one view of a huge, multifaceted, and impressively dynamic country of the world.

"The fact that we have a large range of opinions about the Soviet Union," said Terrence Quist, a research fellow at the Harvard University Russian Research Center, "is quite natural. We cannot have it otherwise; we do not believe in uniformity of views. We have quite a few organizations studying your country; this is normal both from the standpoint of freedom of self-expressions and from the positions of effectiveness of science itself. The difference in approaches helps achieve the optimum result—it may not be the best, but it is better than if there were only one approach."

He is echoed by Walter Connor, a professor in the political sciences department:

"Sovietology is a collection of people of the most diverse disciplines and convictions. We have conservatives and pessimists, liberals and optimists. We have the right wing, we have the left wing, we have our left wingers on the right and our right wingers on the left..."

"It is almost like you have among your intelligentsia," smiled Dr. Lars Lee, also of Harvard.

In the Sovietologists' offices are Soviet calendars; prints with views of Moscow, Leningrad, and Novgorod; shelves of books in Russian; familiar spines with gold embossings of the dictionary volumes of Brokgauz and Efron; and toys from GUM and TsUM. On the desk Professor Marshall Goldman, deputy director of the Russian center, we saw even a whole tank column and prime movers with missiles—children's toys made of plastic. Clearing a place for our tape recorders, he gathered them up from the desk, and this seemed symbolic—like an act of instantaneous disarmament. On the walls of many of the offices were Soviet posters; we

particularly often came across posters with the sprawling signature of Bor. Yefimov. For example, the famous "Grief-Prophets and Lessons of History."

...Cambridge is a college town in Massachusetts, about a 4-hour drive from New York. It is a city of young faces. Architecturally it is both Europe and America. America is there, beyond the Charles River, in Boston, in the glass vertical lines of the skyscrapers with flat tops and spires plunging into the sky. In the background noise of Cambridge we can hear a sound unfamiliar to our ear—and do not immediately understand what it is—a uneasy, atavistic sound. It is the tolling of church bells, abolished by decree back in our homeland in 1932... The paradox of history is that in the American twilight of Cambridge the mellow chime is coming from Russian, or rather, Moscow churches which were demolished in such great numbers in the 1930's. They were preserved and, by contract with the Cambridge city administration, were installed in the city bell tower in the mid-1930's by a Moscow musician and bell expert, Konstantin Saradzhev. There where they did as they would be done by...

### Digression into the Past History of Feelings

We talked in Cambridge about how unlucky America is in many of the "American essays" of our Americanologists and prominent writers who have been given a social order. Many great ones also traveled. Such as Mayakovskiy: "If our eye does not see the enemy, if you have had too much of the NEP [New Economic Plan] and trade, if you have gotten out of the habit of hating—come here, to New York!"

Not only the great ones, but also other, lesser ones, who knew what to write about America before they knew how to go there, came on a mission of class hatred. Ideological vigilance was demonstrated so as not to let the cat out of the bag.

Of course, Americans also had their aces of Russophobia and anti-Sovietism (we recall, we were told of a topic of research in the mid-1950's—"Soviet Soldier's Songs as Evidence of the Soviet Army's Aggressiveness").

So, the mutual distrust of Sovietologists and Americanologists did not emerge on a blank space during the "Cold War." Cold War—that is just what it is called. The "Cold War" also has casualties. True, killed in battle notices do not come for people, but they still do for important and valued things—trust, exchange of ideas... Are these not real losses—freezing of trade; restriction of travel and information; silencing of radio stations; removal of cultural contacts; increased suspicion not only of foreigners but also one's own citizens?

It is clear that it is impossible to demagnetize ourselves immediately from the "orientations" of those times. True, after the tendentiously dismal portraits of America—as a reaction to them—there is now noted another tendency: to paint America almost exclusively in warm, rose-colored tones...

Incidentally, Americans today are also showing Russia differently than they did before. And they themselves are beginning to understand that Russia is not the country that it was just a few years ago. This understanding would be reflected in any poll, regardless among whom it was conducted. Yes, Americans say in response to pollsters' questions, we are happy about the Russians' openness, we are impressed by their perestroika, and we cannot help but satisfy their desire to listen to what they are saying and thinking aloud about them, not only those who they categorize as "friends" or the "progressive public," but also truly simple people—not in the sense of simplicity which Moscow has imposed on itself and others, not in the sense of simplicity as a minimum of needs and pitiful vegetative life, but simplicity as ordinariness, typicalness, average statistical normality. In fact, we often did want to believe that the average American are not willing to meet many of our actions and our ideas with shouts of enthusiasm not because of pressure from their government, but because these ideas do not blend in with the American psychology, the American view of the world.

But we still have doubts, the participants in the survey add. Wasn't there a time when, it seemed, only a few steps remained to be taken to establish friendship between America and Russia? And suddenly... Who is to blame?

Historians, we think, will not have much difficulty in answering these questions; it will not be difficult to calculate that the both sides are to blame, possibly equally.

We believe that this brief digression into the past is appropriate prior to telling about the talks at the Russian Research Center. There will be caustic remarks and attacks from their side, but we also will not forget about our quite recent habit of talking with opponents in the language of political obscene language. You see, only 6-7 years ago, having come to where we are today, we would have written about the "lair of the overseas hawks" or about the "citadel of mercenary hack writers and hirelings."

However, serious Sovietology is the same science as serious Americanology. If you subtract from its output the clearly market-oriented works, there would remain quite a bit that was later justified and included in scientific usage, for example, certain studies on the period of Stalinism, on the ineffective economy, on the sources of international tension, and on inert political structures needing radical reforms. What is more, some time later these problems became the topic of discussion from the highest rostrums.

#### Why Did They "Fail To Notice" Perestroika?

Nevertheless, it can be said that they failed to notice our perestroika. Before departing for Harvard, we had a meeting in New York with a Sovietologist from Columbia University, Professor Robert Legvold.

Our first question:

"Sovietology is your profession, your business. So why couldn't any of the Sovietologists anticipate April 1985, anticipate our perestroika?"

But it was a surprise for you yourselves," Robert Legvold shot back, and then explained that perestroika as such had matured naturally, but few in the West could believe that "such a dynamic leader as Gorbachev could appear in the innermost depths of a regime whose vessels were affected by the sclerotic deposits of stagnation."

"The nature of society, the nature of the party at that time were the source of the problems, but not at all the source for solving the problems," the professor said and added: "The Sovietologists I know were not ready to anticipate perestroika partly because what was taking place at that time and is taking place today is historical in scale, and there are only a few people able to see this scale, being his contemporary, from inside the process. This is like living in 1708 and guessing what Peter I was planning and as what kind of a reformer of Russian he would go down in history.

Perestroika has revived and given new impetus to Sovietological studies in America. We saw how, even on their days off, the research fellows of the center raked aside the piles of things they had not had time to read and process during the weekdays.

"Before, it was enough to leaf through one of your main newspapers once every 6 months, and this was quite sufficient to be up on things. Just try that today...." said one of the center's research fellows.

They take their work home—heavy piles of magazine excerpts and newspapers, books, and video cassettes with recordings of the latest broadcasts of the program "Vremya" and those Soviet television programs which Harvard Sovietologists consider "mandatory"—"Vzglyad," for example. It is also good to have an antenna dish, which makes it possible to pick up overseas, that is, our television. And it should not be otherwise: How can a person professionally study the Soviet Union and not have constant, daily access to its television programs, its newspapers, magazines, and books, and not only those which everyone in the Soviet Union hears and sees, but also those whose existence one can only guess. The shelves in the center's library are crammed with folders and boxes with the most provincial newspapers, not provincial in content but in the degree of remoteness of the populated areas where these newspapers are published.

Certainly, never before have Sovietologists had the opportunity to live so freely as now. Many at the center told us: "It has become a very interesting job to study Russia." Someone even put it this way: "Living has become more fun." As we can see, they know the primary sources pretty well here...

### To Rake Aside the Piles of Stamps

Framed on a wall in Robert Legvold's office are the words of a man who spent a quarter of a century in the post of Soviet ambassador to the United States: "...You have too many Kremlinologists who know nothing about what is going on in my country, absolutely nothing... and I sometimes begin to wonder why you pay these specialists so much money."

This excerpt is from an interview that was given to an ABC television reporter in 1977 at the height of stagnation, when the course of economic affairs justified the most gloomy predictions of the Kremlinologists, when dissidents were expelled and deprived of their citizenship, and when human rights were being violated, which at that time were called nothing other than "so-called human rights." Incidentally, this interview was not aired. For what reasons, we do not know, and Robert Legvold also could not explain clearly. But he kept the statement as a reminder of how lowly Sovietologists and Sovietology were regarded—not in America, but in the Soviet Union. "Sovietology" was a dirty word. We had in our mind that if a person was a Sovietologist, that meant he was anti-Soviet, which meant he was a liar and a falsifier. We convinced ourselves that a realistic, objective researcher could not say about the Soviet Union what the Sovietologists took the liberty of saying.

However, these arguments were intended almost exclusively for the foreign audience. "Foreign audience" is not just foreign countries, but also those "who not having an entree," not having an entree to the circle of people who were supposed to know. For those not having an entree, Sovietology was something abstract and vague, although on the other hand it was a quite accessible and concrete object for humiliation and condemnation—like the unread books of banned and persecuted writers.

For those having an entree, it was the opposite: a source of information and assessments about our own country. It is really a secret that almost any significant publication by a prominent Sovietologist was immediately translated into Russian and sent out, stamped "For Official Use," to those who were supposed to receive it. Such was the case with the works of Richard Pipes, Marshall Goldman, Adam Ulam, and others.

If one analyzes it, Sovietology was a courageous profession. It is not that Sovietologists were the object of continuous and preconceived insulting—in most cases—attacks. It is that the science about our country was based on a disastrous scarcity of primary sources, demanded tremendous patience, and required intense labor, rummaging through dozens of pamphlets, books, magazines and newspapers, digging through speeches and statements, to bring out those figures which would be immediately found in an information or statistical handbook if we were talking about any other developed and open

country. But how many figures and how much information were they unable to calculate at all because there was not even a tiny hint about them in the tens and hundreds of publications covered!

We cannot imagine how our USA and Canada Institute would function if its associates were to find themselves in the same conditions of a most severe dearth of information. Our Americanologists had—and have—a different problem: how to pan gold nuggets of truth out of the swift and dense current of information. It is a difficult task, and they do not always manage to accomplish it successfully.

Let us note in passing: America's Sovietology centers are not financed by the state—except in those instances when governmental agencies, such as the State Department, place orders for special studies and elaborations "For Official Use." We were not able to obtain a list of such works made in most recent years, but judging from the lists of previous years, the contract works are intended for applied and not at all academic use. We will cite several topics, again stipulating that we took them not from today's lists or even yesterday's: "Stability and Changes in the Soviet Political Culture," "The CPSU Congress: An Assessment," "Mutual Dependency or Security: A Soviet Dilemma," "Ideology, Nationalism, and the Nationality Issue in the Soviet Union," "Population Problems in the USSR," "Economics of Using Natural Resources," "Western Finances and Soviet Trade," etc., etc.

But there is far more prestige than money from such orders. Professor Adam Ulam, director of the Harvard center, complained that "there is not enough money, we need more research fellows, since the volume of work is increasing, and very sharply."

What kind of a budget does the center have? It is roughly \$500,000 a year, which goes mainly to wages for technical workers, since the lead research fellows, including director Ulam himself, receive their professional salaries from other departments of Harvard University.

Sovietology is an expensive matter. Lars Lee, who is in charge of the topic "Soviet Political Rhetoric" at the Harvard center, spends at least \$500 of his own money each year to subscribe to Soviet newspapers and magazines. Of course, there are also newspapers in the center's library; copies can be made of them (you will be billed later). But working with copies and working with "live" materials are different things, any researcher knows this.

### Once More About the Benefit of Pluralism

We would like to go back to where we started—about the drawbacks of a monopoly over knowledge and about the harmony of views in science. This issue has repeatedly come to light in America: many of the people we talk to again and again allude to the erroneous thesis of Soviet Americanologists "about the irreversibility of the first relaxation"



We repeat: when there is one center for everyone, it is inevitable that a mistake of one person become the mistake of many. As if it were even legitimized, and if you think about it, also predetermined. Monopoly is bad in science, especially in science having not simply an applied importance but, at another time, perhaps also a fateful importance for the planet.

There is another side to the coin. Diversity of opinions and assessments often gives rise to confusion. It is sometimes difficult to draw the only correct solution from the diversity. But diversity provides a choice and an opportunity to form what the Americans call an "informed opinion"—that is, an opinion which is formed as a result of analyzing and weighing the most diverse information and assessments. This is an educated opinion.

Tell us, we asked the Americans, would you like to have instead of 10 different institutes and centers, only one study the Soviet Union on a permanent basis, assuming it is the one in which you now work? Invariably we received a negative reply: "We must have more voices heard concerning the Soviet Union." We found no one who would say: "Our center would be quite sufficient." However, if there were such a monopoly, it would benefit considerably those who were a part of it: the demand for knowledge about the Soviet Union is great.

So, what do the American Sovietologists have to say about our country, about the prospects of perestroika and about our problems? In the next essay, we will try to hear what they say without interrupting so much. We will see what comes of this. [16 Jul 89 p 5]

#### 100 Pages on Stalin

Professor Adam Ulam, director of the Russian Research Center at Harvard University, is 66 years old. He has been studying Russia and the Soviet Union a good 40 years.

"Tell us, professor," we asked, "living in the atmosphere of our problems, our history, our language, haven't you felt that something from the Russian nature, the Russian mentality has entered into the inner structure of your soul, your life style? They say, scientists unintentionally adopt some of the traits of the subjects of their study, the manners of the primary sources, so to speak."

"I am very undisciplined..."

"But how, being undisciplined, could you write in a year and a half the huge—some 1,000 pages—and sensational book 'Stalin: The Man and His Era'?"

"I myself don't know how I wrote it."

Professor Adam Ulam is a man with a sense of humor. He is tall and wiry; he has a gentle smile and disheveled hair. He invariably wears a bow tie.

"Do you curse Stalin in your book?"

"No. You cannot understand either the historical personality or the country by cursing. This word is not in a scientist's lexicon."

Marshall Goldman, deputy director of the Russian Research Center, gave us a royal present. He took us to a special hall... no, this word is not appropriate... to a section of especially valuable books and archives of the university library. We couldn't help but tremble at the thought that manuscripts of Shakespeare and letters of Pushkin (originals!) were stored here. As a special treat, the young librarian took out "as a sample" two or three folders from the personal archives of Trotsky. During the brief examination, a sentence from a yellowed telegram addressed to Menzhinskiy in Moscow from Alma-Ata caught our eye: "...They serve food in the restaurant that is fatal to your health."

And we had a talk with Goldman, which began with a reminder that 2 years ago the professor had predicted that "Gorbachev would last only 2 years."

"Two years have already passed..."

"As a matter of fact, I gave him 2-3 years, which means there is still time," Goldman responded with lightning speed.

Several weeks later, the professor was in Moscow, giving a lecture.

"I have not stopped being a pessimist," he said. "But as I realize the scope of what is taking place, the duration is extended accordingly. All the planned reforms are enormous—one life, one career is not enough. A whole generation of reformers and innovators like Gorbachev is needed. But there are many dangers in their path. Many do not even suspect what kind."

We, of course, could have pretended that the deputy director of the Harvard center did not tell us any of this. But why hide the diversity of assessments and forecasts? That is the first thing. The second is that the upper strata of the Bush administration listen to Goldman. In the first 2-3 weeks George Bush was in office, he organized something like a political tea at his family estate in Maine, to which he invited the five leading Sovietologists in America, including two from Harvard—Goldman and Ulam.

True, it is one thing to hear, and quite another to listen. And how do we know if the President listened the assessments and predictions which, by Goldman's own admission, make a depressing impression: "When I finish speaking, the audience almost always sighs with relief—enough doom, they say."

We will not comment, but will simply a few of his statements during the Harvard and Moscow talks:

"There is always a danger of doing too much, like in China, and doing too little, like in your country now. (He said this in Moscow, after the recent events in China and during the first days of the session of the USSR Supreme

Soviet.) I very much want Gorbachev to succeed, because if your country is among the leading civilized countries, the world will be a better place to live because of this. But the slipping of your economy and the signs of a return to a ration system for certain products and goods are a weight on my mind. (We would note for the readers that in a corridor of the Russian center at Harvard someone had pinned on a stand an announcement brought from Leningrad that graduate students are allotted one bar of soap per person.) You ask, what in my opinion can be done in these conditions? I would propose a kind of Marshall Plan, in any case a 'Marshall Goldman plan.' (The professor smiles.) Before, I said that your reforms have to take place in phases. Now, I believe that it is already TOO LATE to hope for phased reforms; time has been lost, and now everything must be done simultaneously—decentralization, diversity of forms of ownership, creation of special economic zones everywhere, a fund for the poor, financial reform, and convertibility of the ruble. If I were in your place, I would try to get help from the International Monetary Fund and from the FRG and the U.S.—at low interest."

In talks and lectures, M. Goldman demonstrated a familiarity with all directions of our economic science and named many different names. In parting, he said, somewhat with pride, as it seemed to us:

"We invite to the center both conservatives and liberals from the Soviet Union to our center and try to bring them together here (here he smiled again) because at home in the USSR you often simply do not talk to one another."

Other Harvard Sovietologists also noted this "taciturnity" of our people who adhere to opposite views. Lars Lee was perplexed by the intolerant moralizer tone of even those who consider themselves progressivists in the Soviet Union.

"They told me that if I did not like Bukharin, I was a Stalinist. Not only are your Stalinists peremptory but so are your anti-Stalinists."

Well, that was correctly noted.

Even Richard Pipes later admitted to us that in Moscow he once had to defend Marx against an unjust attack.

### The Right to a Right

When we were driving from New York to Boston over the sleepy-smooth highway, we agreed to ask all those we talked with in the future: In your opinion, what right—human, civil—is especially important if we are talking about establishing it is right in the Soviet system? The majority answered: The right to travel wherever and whenever you like. Why? Anthony Jones, who is in charge of the topic "Social Consequences of Perestroika" at the Harvard center, seemed to be the most precise in his explanations. "First of all," he said, "it is because this is a fundamental human right. Second, because in the modern world no society can survive by

being in isolation. Trips educate people, enlighten them. In traveling through the world, people compare what they see with what they have at home. They also compare themselves with other peoples. And they see what is good in themselves and what is bad, and what they should learn from others. You Soviets especially need trips abroad: they will stimulate those psychological changes without which perestroika will prove—and already is proving—to be an extremely difficult matter."

A question for Jones: In what and how should our psychology change?

Jones, who has been traveling to the Soviet Union regularly for 23 years now and who, when there, becomes an ordinary man on the street with no "Berezki" and without any special, that is, befitting a foreigner, transport, hotel, and ticket services, believes that "your mentality should change in two aspects. You should feel a responsibility for what you do. Every person should feel it, everyone, even the most minor clerk, not to mention the highest-ranking officials. The second is difficult to put into words, but the idea is this: Your people have a very relative notion about quality of goods and quality of services. You certainly understand what 'better' is, but you do not know what the best level is or what the best quality is. Accordingly, you set your expectations lower than they should be. And this must change."

From Jones' point of view, it is difficult to change a psychology, a mentality. But this is a key condition of economic changes. "You must be ready for the fact that it will take many years before you begin to feel an improvement. You do not have the age-old experience of the Western societies which were market and competition oriented. And another thing: It is more difficult to change economics than politics. You can vote one time and change political structures. But it takes decades to gain production standards and to learn to work qualitatively. No voting will help here..."

Robert Legvold from Columbia University talked to us about the need "to muster up patience" and "not let a moment slip by."

"Potentially, your changes have historical importance," he said. "You have changes taking place that are far more powerful than, in my view, the designers of perestroika thought. But it is unknown whether you will be able to overcome the population's skepticism with respect to the deficit, inflation, low standard of living, and so forth."

"Tell us, professor, what would happen if laundry detergent disappeared in New York?"

The professor did not understand the question, either in Russian or English. After dramatic and unsuccessful attempts to get the professor to understand this particularly Russian question, the conversation turned to the academic direction. Robert Legvold answered our prepared question about priority of rights.

"You do not have enough obvious rights. I have in mind stepping up political representation, freedom of expression of views in various contexts, be it about literature of the mass media, and also introducing the juridical, legal aspect into all spheres of society's activities."

Almost all of the people we talked with repeated this latter thought—in essence, they said what our people's deputies are now saying in the USSR Supreme Soviet Committee on Questions of Glasnost, Rights and Appeals of Citizens, and also in the Committee on Questions of Legislation, Legality, and Law and Order, and others, that is, about the need to combine world legal standards and domestic practice.

"To put it briefly," remarked R. Legvold, "the individual must be protected from any arbitrary actions by the state. Without rights of the individual, there cannot be a legal state. The latter cannot be without the former. But you in Russia will have to cross many reefs on this path. Our experience is not similar to yours. The individual was the starting point in the history of America. In Russia it was the collective. In Russia, you have traditionally feared chaos, centrifugal forces, spontaneity, and lack of control. This has not had a positive value. In the U.S., we fear concentration of power to a far greater extent than chaos. Therefore, we live in a system which is a kind of constitutional chaos. Chaos is not the result of directed actions, it is that price we pay to avoid a concentration of power."

#### Be a Country of Law

We had a conversation with Walter Rodgers, an associate of the ABC broadcasting company. He worked as the head of the Moscow Bureau for almost 5 years.

"Now," he said, "most of all, in my opinion, you do not have enough of a truly legal system. Your country must be a country of law."

Walter Rogers reminded us of a story that took place several years ago in Moscow. It is not a story, but a tragic incident: An American journalist, having had a bit too much to drink, got behind the wheel and hit two people. One died, and the other received serious injuries. The death and injuries cost the journalist \$3,000. There was no trial. It was all resolved without it. The journalist left.

"Would such a thing have been possible in America?" Walter Rogers asks himself the question. "Not under any circumstances. You, a foreigner, would have been dragged off to the courts..."

We had many conversations at Columbia and Harvard universities concerning a question that one person expressed in an aphoristic way: We Americans sacrificed equality for the sake of freedom, and you Russians sacrificed freedom for the sake of equality. Freedom was an object of special pride for the Americans we talked to. Before we would have surrounded the words "freedom American-style" with a hundred provisos and ironic quotation marks. Now we will wait a little, to listen

better and understand. How, for example, can you object to Walter Connor, who considers freedom of expression and freedom of information to be a fundamental democratic value? He explained from these positions why the burst of political activeness of many sections of the Soviet society, and especially the so-called informal groups, was a surprise for American Sovietologists. "There were many surprises," Walter Connor said.

"Are the American people capable of giving political surprises?" we asked.

"I don't think so. The thing is, there is more news where there is little or no information. We have an abundance of uncontrolled information, and therefore it is not likely that any very big surprises can be concealed."

For a long time, psychologist Alex Zozulin listened to our arguments, drawn from discussions in our country about the merits and shortcomings (we emphasized the latter) of free market and free enterprise. The psychologist remarked:

"Free enterprise best speaks for itself not on the level of words but on the level of goods."

A Soviet person, hearing the praise for free market and free enterprise, feels a certain discomfort. It is as if a relay trips in the brain, blocking the ability to delve deeply, to ponder... But what is one to do if the effectiveness of the free market is apparent to those with a totally unprotected eye, especially since this eye quite recently back home has seen the dismal fruits of rigid overcentralized planning—half-empty counters, low-quality goods, lack of concern, inconceivable long-term structures, and so forth. Where can such truly absurd phenomena be when, with the union-wide incomplete work, the departments continue to plan an enormous amount of new projects?

American society is by no means devoid of problems, and very difficult ones. It, perhaps, has even more than ours, but these are natural, normal problems. They arise during the course of conditional social development. But are ours different? No one in the world will ever understand how, from year to year, with a chronic shortage of metal, we can produce 4 times as many tractors than we need and 1,000 times less children than necessary. No Adam Smith will understand how we can pour out gasoline onto the roadside and receive a bonus for conserving fuel...

Let us have problems—but let them be normal ones, not from the realm of absurdity. In general, it is high time we give up the stupid notion that a bright future is something problem-free and conflict-free. The more developed society is and the freer and more highly organized it is, the more complicated and higher its problems, but these are adequate problems.

We with bitterness verify our economic lag, but fervently believe that, thanks to perestroika, democratization, and



economic reform, we will catch up. Everything rests on the social mechanism of freedom beginning to work for us. [18 Jul 89 p 5]

### Banners and Flags

Is it easy to be a superpower? Is it easy to be one of the two Atlases holding the bulky and cumbersome globe on their shoulders. Besides the fact that we and the Americans are superpowers, we are still standard-bearer countries, symbols, and this is an additional and very heavy burden. We, like everyone else, are equipped with a full kit—we have weapons, greatcoat roll, sapper shovel, gas mask, everything everyone else has, but—above and beyond that—is the banner. This, of course, commits us to many things, but we will not forget: standard-bearers are the first target. If you take the "anti" sentiments, what kind are most prevalent in the world? Anti-American and anti-Soviet.

Not long ago, words were spoken from the UN rostrum about the supremacy of universal values over class values, about the new thinking which is called upon to put an end to the irreconcilable confrontation of systems. Battle colors must give way to flags of cooperation. Much, very much, if not everything, depends on both superpowers.

### "The Russians Are Here!"

One of us, ending up in North Carolina, visited a rural home. The owner was sleeping, and his daughter-in-law prodded him in the shoulder and said: "Get up, father, the Russians are here..."

No matter what kind of audience we spoke before in America—be it businessmen or journalism students, young politicians or farmers—the reaction to this was the same: an outburst of laughter, quickly replaced by silence. The businessmen, students, politicians, and farmers began to ponder. What would they themselves have thought if they were in the same situation and brought out of a sound sleep by a sharp prod on the shoulder and a voice saying: Get up, look, get up, the Russians are here, the Russians...

That grandfather, whom we awakened, in all honesty, was in a depressed state for the first few minutes. And you did not at all have to be able to read minds to understand that during these first few minutes he was controlled by an instinct which had been nurtured for decades, an instinct of distrust and fear of those who it is customary to generalize as Russians. And the phrase "the Russians are here" had only one meaning for him, a resident of rural North Carolina: it meant that what they had warned him about long ago had happened—the Russians had invaded America.

The American grandfather was not at all a simpleton. As the almost 3-hour conversation showed, he knew a lot—about America and also about the world around it. He also was well-read about Russia and freely used dates and facts which, we are sure, many who are considered to

be educated Americans do not know. And, of course, the grandfather did not seriously believe that Russia has some treacherous plans of capturing America. But he demonstrated his knowledgeability and disbelief later, during conversation, when his mind and not his instincts were in control.

A Sovietologist from Harvard University, Suzanne Massie, the same one, incidentally, who taught Reagan the saying "Doveray, no proveryay" [Trust, but verify] and whose book on Russia "Land of the Firebird" also made an impression on him, told us that in their historical memory Americans associate these words—"the Russians are here"—with directly opposite emotions. She had in mind an episode in which ships of the Russian Navy entered New York Harbor and, somewhat later, San Francisco. This was in 1863, during one of the most critical moments of the Civil War in America, the war between the North and South. The British and French at that time proposed that Russia join them and recognize the Confederacy, the power of the slave-owning South. The imperial government refused. A frigate and two corvettes made a port call to the harbor. America's first lady visited the frigate—never before had the spouse of an American president set foot aboard a foreign vessel. "In New York," Massie told us, "the Russians were met by enthusiastic crowds. Newspaper headlines shouted: 'New Alliance Has Grown Stronger'. A ball was held at the Academy of Music. Russian officers, among them Rimsky-Korsakov, an 18-year-old cadet, whirled around the dance floor with New York ladies, whose corsages were adorned with buttons from the Russian officers' uniforms... In a proclamation issued on the occasion of Thanksgiving Day, Abraham Lincoln wrote about the visit of the Russian Navy as a 'gift from God so unusual in nature that it cannot help but reach the heart.'"

At that time the Americans were also shouting: "The Russians are here! We are saved!"

Incidentally, we learned from Suzanne Massie how sometimes history whimsically assigns symbols to various countries. Well, for Americans, it is the bear for Russians and Russia, an image of a lumbering, powerful, angry, and aggressive country. However, the bear nearly became the symbol of America itself. Theodore Roosevelt, when he was president of the United States, often entertained the thought: Why not give America a new symbol! The president did not like the bald eagle. Theodore Roosevelt referred to this bird as a "dandified vulture," whose appearance is really and truly homely.

What did the president like? The bear. True, not the brown bear but the grizzly. Roosevelt considered the bear to be a courageous, independent animal and contended that it would be far better for America if it chose the bear as its symbol instead of a vulture all dressed up like a London dandy.

But...history handled the symbols differently, and the relations of the countries which these symbols symbolize

underwent great changes. To use the expression of Suzanne Massie, "the eagle and bear began waving swords at one another." And should we be surprised that the grandfather from rural North Carolina felt uncomfortable when he was awakened with the words: "The Russians are here!"

"Listen, what would have happened if?"

And we, sitting in the correspondents' office in New York, tried to imagine the same scenario in our Soviet version, to see our grandpa, seated at the stove in a small izba somewhere in a out-of-the-way place in the Non-Chernozem area forgotten by God and people. And we see how a foreign reporter, an American, covered with cameras and dictaphones, enters the small izba without any special ado, as is customary with foreign reporters, and asks to awaken the grandfather tell him that the Americans are here and to point the TV camera lens right at the old man's face in order to get a memorable description of the very first and most important moments, when a person's mind has not yet engaged, but his instincts have.

True, the opinions of the co-authors of this essay did not match 100 percent. The Americanologist believed that the reaction of the American and our grandfather would be identical. His colleague, working permanently in the Soviet Union, insisted on a proviso that, when talking about our grandfather, you would still have to see what kind of a grandfather he was. If he was a veteran who had spent 2-3 years in the war, he may not be startled. But as far as the "average statistical" resident of our country is concerned, it goes without saying that the words "the Americans are here" would have evoked an identical reaction: for decades he has been hearing on television about the "intrigues of imperialism," the "insidious aggressive plans of NATO, SEATO, and CENTO," and so forth.

In this case, too, we also have to say: Yes, American politicians themselves often "worked" well on this image, but our propaganda presses, our Americanologists, and our politologists also made a contribution. Suffice it to recall the many television broadcasts of past years, when the propaganda goals were scored only in one net (the American), and we can recall the serial volume "Competition of Two Systems"... But times are changing...

#### Let Us Try Without Labels

We reached the office of Professor Richard Pipes, the distinguished Sovietologist, the same one we called an "anti-Soviet" and "hawk." During the very first years of the Reagan administration, this man was in charge of the Soviet department of the National Security Council.

The university office is spacious, filled with books, and covered with prints with views of Leningrad and Moscow churches. We noticed that the offices of the Harvard Sovietologists are somewhat similar—almost all of them have a certain Russian artistic disorder on the

desks, and there are almost no computers anywhere. It crossed our mind that it is as if the office heads do not keep electronics for a special reason, so that the interior the mood of thoughts, and the entire atmosphere corresponds more to conditions close to the subject of study.

Pipes speaks Russian well, with a slight Polish accent. Not all Sovietologists are fluent in conversational language, but many honestly, although not always successfully, studied and are learning to speak in the language of the country being studied. It is wrong to speak ironically especially for one of us who do not speak English (true we also are not Americanologists), but you could not without sincere sympathy see how excruciating it was for some of the people we talked with at Harvard to go from English to Russian and how their brows wrinkled, trying to come up with a word.

"Professor Pipes, before you were only criticized in the Soviet press," we said. "But now you are published quite often, and here Soviet correspondents have come to interview you... Which is more to your liking—the former or the latter?"

"Yes, I remember Vyshinskiy's formula—if the enemy criticizes you, all is normal, all is proper. But I am not an admirer of Vyshinskiy's logic. Conversation, contact and tolerance are more to my liking, but not profanity. Here I have on the shelf a book by one of your authors, 'Mister Pipes Falsifies History.' It is sheer profanity. Profanity is a demonstration of weakness. It is aggression. Refute arguments if you can, but why profanity?"

It is not because in our essays we are generally oriented toward listening more than getting into polemics and making comments, but out of a sense of fairness that we want to remove from some of our readers a steady prejudice against American Sovietologists, who often write far from laudable articles about us. They have generally introduced to us, we would say, some kind of non-Russian trait—hostility toward those who do not indulge our self-conceit and intolerance of those who think differently. If a person says something that differs from officially proclaimed theses, and he is labeled an "anti-Soviet." It is strange: In America we did not hear any of our specialists on the United States called an anti-Americanist. And this is despite the fact that, perhaps, our Americanologists speak out sharply and critically about the U.S. far more often and clearly more intensely than Sovietologists do about the Soviet Union, with or without cause. And we are ready to argue that this criticism is by far not always determined by good intentions: they say, we will suggest to America that everything is not okay there, we will help it understand.

Maybe, Americans are more tolerant of different opinions? Maybe, common sense simply tells them: What country, what people have shortcomings, problems, and difficulties, and if someone from the side points out these problems and shortcomings, doesn't he deserve the label "anti" for this? A prudent patient never will talk bad about the doctor who diagnosed a serious illness...

### Richard Pipes Abstains from Predictions

"Professor, since December 1982, when you left the White House, hasn't your perception of the Soviet Union changed greatly? Have we become kinder?"

"No, I haven't changed, you have changed. What I thought about the Soviet Union then was correct. But now I cannot stand on those positions, for your system has taken an enormous step from totalitarianism toward authoritarianism. An authoritarian state, as before, has a monopoly over state power, but it also gives society certain freedoms. A totalitarian state controls everything, from the repertoire of theaters to economics, and never shares anything with anyone."

"One of us was at your farewell lecture in October 1982 before you left the White House... At that time, you predicted failure of our system..."

"That is what you are now admitting! If not for perestroika, the failure would have happened. Perestroika was the result of a threat of catastrophe. Unfortunately, your leadership is embarking on the path of reforms only when the crisis—economic, political, psychological—is coming to a head. I am the author of a book on the three Russian revolutions, and I would like to draw a parallel. What is going on now in the Soviet Union is historically very similar to what Alexander II did and what was done during the 1905 revolution, that is, only those reforms are being carried out which cannot be avoided. Power is to remain in the hands of the state until the end..."

"We know that you are against economic and financial assistance to our country, although you know how much our economy needs it."

"Do you know why the attention of your leadership has shifted to internal problems and why it put an end to the Afghan adventure? You exhausted your financial resources, and the crisis forced you to be more peace-loving and reasonable. It is my belief that only a real crisis would prompt you to serious economic reforms and radical changes. If the bureaucracy holds its positions and does not go along with the process of renewal, in a year you will have a real crisis. And assistance from the outside would merely prolong the status quo."

"What can help our economy?"

"The whole world knows this: decentralization and extending the right to all forms of ownership. A totalitarian state owns all the riches of a country, but the people should own a country's wealth. It is not people for the government, but government for the people—this is one of the precepts of Western democracy."

"Do you believe the laws of democracy are universal?"

"Well, you can live without democracy, isolated from the world, but for a great country, the path of liberalization is inevitable. No large country with a quarter of a billion people—now even more—can develop normally

without democracy. In general, sooner or later, all totalitarian regimes end poorly. Therefore, democracy is the only salvation. And my point of view is that true democratic reforms will take place in your country out of the threat of failure."

"Do you want us to fail, professor?"

"No, I want changes. And as soon as they come, assistance from the West will be immediate."

"What are your predictions today, professor?"

"The relations between the U.S. and the USSR will improve as you prove with deeds your adherence to the values of a civilized world. The departure of Soviet troops from Afghanistan was a good thing. The agreements on arms reductions—likewise. But how many unresolved and worrisome problems are there still, if only in Nicaragua? To be honest, I can say what should be, but I cannot say what will be. No one knows what will be."

The views of Richard Pipes are of interest not only by themselves but also as a source feeding the mindset of certain individuals connected with the present administration. When we asked if any of "his people" were in the administration, any like-minded persons, Pipes said: "Yes, there are." And who are they? "Gates, Rice, Blackwell."

Let us explain: Robert Gates is the former deputy director of the CIA, but today is deputy assistant to the President for national security; Candoleezza Rice is the lead research assistant of the Soviet department of the National Security Council; Robert Blackwell is the head of the Soviet department of this same council.

### From the Image of an Enemy to the Image of a Friend—Not One Step

Marshall Goldman, meeting with Bush in February when the process of "strategic review" of U.S. foreign and defense policy had just begun, advised the President to "enter into negotiations with the Russians on arms control and trade." He advocated economic and financial support. He warned that "the Russians will be concerned about the slowness of the new administration." In a letter Goldman received shortly after this meeting, George Bush wrote: "I really want to get a clear idea how to stimulate (in the Soviet society) changes of the type which, as you told me, will be beneficial to the whole world."

Incidentally, federal agencies and the President, although extremely important, are not the main clients of Sovietologists. In any case, not for the Harvard Sovietologists. "Who do we work for?" Adam Ulam repeated the question. "We indeed meet with presidents and congressmen. But my students and also my colleagues are among the consumers of my product. And Americans in general. I am pleased about the warming of



relations between our countries and peoples. I hope," said Adam Ulam, "that our works had something to do with it."

Here is the simplest illustration cited to us by Lars Lee, the same one who works at Harvard on Soviet political rhetoric: "When the word 'glasnost' came into American English, we began explaining its meaning as 'propaganda,' 'publicity.'"

"Did you notice? It was immediately given a negative meaning," Lars Lee said. "A meaning quite unlike that which is given this word in the Russian language. It took time and explanations to give the word back its primary and only correct meaning."

Trifle? Possibly. But this is a fragment of how a notion about another country, another people, is formed. A fragment of creating an image.

An image of an enemy or a friend...

#### **U.S. Studies, Practice of Conflict Management Viewed**

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[Editorial Report] Moscow PRAVDA in Russian on 14 August 1989 publishes in its second edition on page 7 a 2,400-word article by its own correspondent A. Lopukhin, datelined Washington and Moscow, and entitled "Is a Conflict Getting Sharper? Call in a Specialist!" He describes the study and practice of conflict management in the United States, and recommends it as an example for the Soviet Union.

Lopukhin notes that the study of conflict management and resolution has become widespread in American universities. Furthermore, academic specialists offer their services in resolving real-life conflicts: "interpersonal, group, industrial, ecological, ethnic and international conflicts." Describing the George Mason University Center for the Study and Resolution of Conflicts in Fairfax, Va., he notes that the center awards MA degrees in conflict management. Such programs also exist at 150 other American colleges and universities. He describes the profession of a "conflict manager" as requiring "good sense and deep understanding;" academic programs are interdisciplinary, including "law, sociology,

anthropology, politics, economics, international relations, pedagogy, psychology, philosophy, and of course, conflictology [konfliktologiya]." He notes that the George Mason center has been called on to help resolve conflicts by "the private sector, various groups of the population, local, state and national governments, and even the UN."

A large part of the article consists of interviews with Professors Richard Rubenstein and John Bjornton of the George Mason center. Rubenstein tells Lopukhin that although conflict managers deal with the most varied situations, they use the same "mechanism" and "theoretical approach": a "problem-solving process," seeking the causes of the conflict, and "defining the demands and values" of the parties. He distinguishes between a conflict manager and a judge or arbitrator, in that a conflict manager has no authority to impose a settlement; he seeks a "nonviolent solution." He goes on to stress that "any settlement demands either a compromise or some sort of concession from all participants in the conflict." Rubenstein states that most conflicts have their origins, not in disputes over limited resources, but in "deep cultural values and human demands: the feeling of security, social recognition, and self-consciousness." Rubenstein describes the conflict manager's role as bringing the two sides "face to face," helping them "to move from hostility to an analysis of the situation," and helping them "to define their mutual interrelations and to understand the goals they are pursuing." Then, by "clarifying the essence of the problem," the sides finally arrive at the stage of "working out a policy or structural changes necessary to resolve the conflict."

Professor Bjornton tells Lopukhin, "In the new concept a conflict is considered resolved only when all the sides in the conflict recognize it as completely over with, when the real causes of disagreement or violent clashes are uncovered and removed." Lopukhin notes that Bjornton is not only a "pioneer of the use of conflictology in practice. He is now working out an entirely new direction—prevention, a sort of conflict prophylaxis."

Lopukhin concludes by stating that the Soviet Union's "obvious backwardness in conflictology and its use must be liquidated as soon as possible." He suggests "creating independent research groups in conflict management, and beginning to train specialists (for instance, in schools of psychology) in the practical prevention and resolution of the most varied—large and small—conflicts, which arise not only 'over there' but also in our own country."

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**Foreign Economic Ties Root of Latin American  
Financial Crisis***18070172 Moscow LATINSKAYA AMERIKA in  
Russian No 2, Feb 89 pp 6-19*[Article by L.L. Klochkovskiy: "Crisis of Foreign Eco-  
nomic Ties and Prospects for Regional Development"][Text] Latin America is going through one of the most  
difficult periods in its postwar history. At the beginning  
of the 1980's the regional economy was hit by a severe  
crisis and then entered a period of stagnation marked by  
low rates of economic growth, instability in leadingsectors, and rising rates of inflation and unemployment.  
Serious economic difficulties are increasing social ten-  
sion and destabilizing the political situation in many  
Latin American countries.This is not the result of short-term or transitory factors.  
There is reason to believe that the region has entered a  
new phase of development distinguished primarily by  
the continued intensification of the internal conflicts  
and disparities characteristic of dependent capitalism.  
The pronounced inequities in the distribution of  
national income, the intensification of imperialist  
expansion, the continued impoverishment of the masses,  
and the increasing parasitism of oligarchic groups are  
impeding the growth of the domestic market and pro-  
ductive forces, the modernization of the economic struc-  
ture, and the resolution of the employment problem and  
other basic problems. Besides this, unfavorable external  
conditions are having an increasingly negative effect on  
this situation.The sphere of foreign economic ties was something like  
the epicenter of crisis processes at the beginning of the  
1980's. Today it is still the source of serious difficulties  
in most Latin American countries.**Crisis of System of Foreign Economic Ties**From the beginning of the 1980's the entire system of  
Latin America's economic relations with the outside  
world was seized by crisis. As a result, these relations  
grew weak, and some of the important processes con-  
nected with the struggle of states in the region to consoli-  
date their international influence and to win economic  
autonomy lost their dynamism.The crisis hit hardest at the sphere of external financing,  
where fundamental changes took place. First of all, scales  
of credit extended to Latin American countries were  
reduced sharply. Net capital inflow decreased from 37.6  
billion dollars in 1981 to 3.3 billion in 1985.<sup>1</sup> Although  
the figure rose slightly between 1986 and 1988, it was  
still far below the level reached at the beginning of the  
decade. The private banks which had been the main  
creditors (they accounted for more than 80 percent of all  
the funds received from outside the region) began  
avoiding the extension of new credit. Whereas in 1981  
total loans amounted to 30.5 billion dollars, in 1985 the  
figure was only 1.7 billion, and in 1986 it was 1.6  
billion.<sup>2</sup>Second, the problem of repaying the foreign debt (which  
had reached 430 billion dollars by the end of 1988) was  
seriously exacerbated. Almost all of the Latin American  
debtors had to request creditors for refinancing. Expen-  
ditures on the repayment of the foreign debt rose  
sharply: Countries in the region pay out from 25 billion  
to 30 billion dollars a year just in interest.<sup>3</sup>Third, the changes listed above turned Latin America  
into a net exporter of capital. The financial resources  
leaving the region between 1982 and 1987 totaled almost  
150 billion dollars. An ECLA report assessing the state of

the economy in the Latin American countries in 1987 stresses that the huge sums withdrawn from the region were "the main factor impeding stable and dynamic economic growth in the region."<sup>4</sup>

In the foreign trade sphere, imports were reduced dramatically (by more than 40 percent) as a direct result of the crisis of foreign financing. The almost complete absence of credit from foreign banks turned export revenues into the only source of urgently needed foreign currency. The rapid rise of expenditures on the repayment of the foreign debt (it absorbed from 30 to 40 percent of export revenues from 1983 to 1987) forced the Latin American countries to limit imports to the minimum and make a maximum effort to expand exports to the capitalist centers in order to increase foreign currency receipts.

These changes had a number of negative consequences. Above all, they reduced Latin America's share of world trade; in particular, its share of the total imports of capitalist states decreased from 5.6 percent in 1981 to 3.3 percent in 1986. They became much more dependent on the situation in the North American market. Whereas in 1980 the United States accounted for 29.3 percent of Latin American exports, the figure exceeded 40 percent in the middle of the 1980's. This was accompanied by a sharp decline in intra-regional trade. Between 1981 and 1985 exports declined by 44 percent in the Latin America Integration Association framework, 42.6 percent in the Andean Group, and 52 percent in the Central American Common Market.<sup>5</sup> Although trade and economic ties between Latin American countries recently began to be restored gradually, this is an extremely slow process.

The crisis also had a serious effect on the activities of foreign private investors: their annual capital investments declined by more than half (from 7.6 billion dollars in 1981 to 3.3 billion in 1984).<sup>6</sup> The decline was particularly noticeable in Mexico, Chile, Argentina, and Venezuela. Besides this, there was a clear tendency toward the withdrawal of direct investments from the region. Total accumulated U.S. capital investments, for example, decreased from 38.8 billion dollars in 1981 to 28.1 billion in 1984.<sup>7</sup> It is true that there was a slight increase in the last few years, but figures still have not reached the pre-crisis level. As a result of these inhibiting processes, Latin America's role as the main sphere for the investment of foreign capital in the "Third World" was diminished: Whereas the region's share of current investment in the developing countries was 53.3 percent in 1981, it was only 29 percent in 1984.<sup>8</sup>

The huge amounts of currency paid out by Latin American countries to foreign banks and the virtually complete cessation of credit from the latter put the reproductive process in jeopardy. Whereas foreign credit accounted for around 2 percent of the regional GDP in the 1970's, the region lost the influx in the current decade and also had to spend a sum equivalent to around 4 percent of the GDP on the repayment of debts.<sup>9</sup> As a

result, possibilities for the financing of economic development were severely limited. According to some estimates, the repayment of debts absorbed around one-third of all accumulations in the region between 1983 and 1987. Because they did not increase, investments in the economy decreased from 168 billion dollars in 1980 to 118 billion in 1984 and continued to stay below the pre-crisis level in subsequent years (125.7 billion dollars in 1986). In 1981 capital investment represented 24.9 percent of the GDP, but in 1986 the figure had fallen to 18 percent.<sup>10</sup>

The sharp cuts in investment became one of the decisive causes of protracted depression. In the 1980's there was virtually no expansion of industrial production, and industry was modernized on a diminished base.

The curtailment of imports had equally negative effects. For example, purchases of industrial equipment decreased by almost half, purchases of transport vehicles decreased by 60 percent, and purchases of fuel and raw materials decreased by one-third. Domestic production compensated for part of the decrease in imports, but it could not solve the problem completely. Import restrictions and the shortage of investment capital had a particularly strong effect on industry, causing the decline of production and employment. In particular, in the first half of the 1980's industry's share of the GDP declined from 24.5 to 23 percent in Argentina, from 26.2 to 24.6 percent in Mexico, and from 24.8 to 20.6 percent in Uruguay. Industry's share of the total Latin American GDP declined from 25 to 23.9 percent.<sup>11</sup>

It would be difficult to overestimate the consequences of this process because industrialization has been the main driving force of development in the region in recent years. The hope of solving basic socioeconomic problems, including unemployment, was associated with stepped-up industrial growth. In the first half of this decade the regional labor force increased by around one-fifth (from 113 million people to 131 million), while employment decreased in connection with the recession in industry. Part of the reserve labor force found jobs in the service sphere and the "informal urban sector," where, according to some estimates, up to 30 percent of the entire urban labor force was concentrated in the middle of the 1980's.<sup>12</sup> Meanwhile, unemployment rose constantly and the standard of living of the laboring masses declined, and this heightened social tension.

The crisis in the sphere of foreign economic ties and its strong effect on many aspects of economic life are closely related to the economic strategy of the Latin American states. Above all, the crisis was largely a result of the reversal in regional economic policy in the middle of the 1970's. At that time many countries (especially in the southern cone) armed themselves with the neo-liberal model which had been publicized so extensively by M. Friedman's "Chicago School." They began dismantling all forms of state regulation of foreign economic ties and granted maximum freedom of action to big national and foreign capital. The local oligarchic elite and the TNC's



made use of the liberalization in their own selfish interest: Sales of foreign luxury goods and other items with no productive value were expanded dramatically in the region. The total imports of the Latin American countries tripled between 1974 and 1984 and the deficit in their balance of trade almost quintupled.

International monopolies made extensive use of foreign credit to finance the operations of their Latin American subsidiaries. Oligarchic groups in the region were also active in using these sources of credit, transferring huge sums to banks in the United States and other Western nations and buying real estate and stocks and other securities there.<sup>13</sup>

The debt explosion of 1982 forced the Latin American countries to give up the liberalization of foreign economic ties and to return, to some extent, to strict government regulation, but the main thing was that ruling circles based their economic policies on the expediency of, and need for, the fulfillment of foreign debt commitments at any price; economic development objectives were assigned a secondary position.

Of course, we must realize that these priorities were imposed to some extent on the region by Western creditors and the International Monetary Fund, which represented their interests. It would be wrong, however, not to consider the line of reasoning of ruling circles in the debtor countries. They proceeded from two basic assumptions: First, that the crisis in the capitalist centers would be of a short-term nature and would soon be followed by a period of significant prosperity, which would extend to the Latin American region and would create favorable external conditions for its economic development; second, that payments on debts would be essential for future access to the Western capital market.

Subsequent events proved that these hopes were unjustified. The emphasis on the maximum expansion of exports required the redistribution of already meager resources against the interests of sectors working for the domestic market. Furthermore, the state, which had underwritten 80 percent of the foreign debt and was striving to mobilize the necessary resources to maintain economic equilibrium, made extensive use of the issuance of new money for this purpose, and this dramatically intensified inflationary processes. The consumer price index in the region rose at record speed: an average rate of 168.7 percent a year between 1983 and 1987.<sup>14</sup>

In reference to the after-effects of the "repayment policy," ECLA experts remarked: "As time went on and the unfavorable effects of the debt crisis were compounded, it became clear that the foreign debt had turned into an insurmountable obstacle to development. It was obvious that economic growth was incompatible with the repayment of foreign debts on the initially approved terms."<sup>15</sup>

Obviously, it would be wrong to blame the crisis of foreign economic ties only on mistakes in the strategy of ruling circles in the Latin American countries or on the

effects of other purely internal factors. Its sources lie much deeper and are connected to a considerable extent with the inequitable participation of these countries in international division of labor, serious changes in the world capitalist economy, and the increasing economic pressure exerted by the centers of capitalism on its periphery.

### **Latin America and New Developments in the World Capitalist Economy**

The past decade was marked by major changes in the economies of developed Western states. These changes occurred because the new stage of the technological revolution made the qualitative restructuring of productive forces and the dramatic development of advanced high-technology industries possible. The further internationalization of economic affairs and increasingly active participation by developed capitalist countries in international division of labor played an equally important role.

We cannot deny that these changes could have been of considerable positive significance to the developing world under the proper conditions. In particular, access to scientific and technical achievements (for example, in biotechnology, microelectronics, and computer engineering) could have provided momentum for economic development and solved many socioeconomic problems. The new processes in the capitalism centers, however, turned into additional serious difficulties for the "Third World."

Above all, the priority assigned to high-technology industries, resource-saving technology, and the automation and robotization of production was accompanied by a decline in the developed Western states' demand for raw materials and deprived the peripheral countries of their traditional advantages—cheap labor and favorable conditions for resource extraction and food production. Suffice it to say that expenditures of oil per unit of GDP decreased by 25 percent in the capitalism world in the last 15 years (including their reduction by one-third in the United States and by one-half in Japan). There was a sharp decline in the proportional consumption of metals derived from ore concentrates produced in the region: by 33 percent and 28 percent for zinc and copper, by 22 percent for cast iron, by 21 percent for aluminum, and by 47 percent for tin.<sup>16</sup> Even the period of economic prosperity in the centers did not increase the demand for the export products of developing states. The improvement in economic conditions generally led to the expansion of economic exchange between developed capitalism countries. All of this meant that fundamental changes were taking place in the traditional economic relations between the developed West and its periphery. World capitalism began losing its loudly publicized role as the "locomotive" capable of pulling all of the economies of the developing world.

The changes in the world capitalist economy had a direct effect on the structure of the foreign economic ties of

Latin American countries. Conditions for the sale of export goods were severely complicated: The countries of the region were in an essentially critical state in some markets. An extremely tense situation took shape, for example, in the important sugar market. Around 2.5 million people in the region are engaged in the production of this commodity; Latin America accounts for one-third of world sugar production and almost half of all sugar exports. Sugar is the third most important export after oil and coffee. In recent years the TNC's have stepped up the production of polysaccharides and other sweeteners (fructose, dextrose, aspartam, and others) and have crowded Latin American producers out of the main sales markets. In the 1980's the United States, for example, reduced sugar imports to less than one-fifth of the previous amount (from 3.7 million tons in 1981 to 685,000 in 1988), and Japan reduced its imports by more than one-fourth. There was a simultaneous sharp decline in prices (to just above one-tenth of

the 1974 figure): Prices in 1987 were equivalent to no more than 50 percent of the production cost.<sup>17</sup> Latin American export revenues were reduced accordingly.

The same tendency was characteristic of the overwhelming majority of raw material and food markets. What made the situation particularly difficult was that the countries of the region needed currency to repay their foreign debt and therefore had to intensify exports in spite of unfavorable market conditions. From 1980 to 1987 the physical volume of exports increased by 32 percent on the average. At stable prices this increase would have secured not only the funds to repay the foreign debt but also to finance necessary imports. The prices of most export goods dropped sharply, however, although the prices of many imports stayed high. The following table provides some idea of the shifts in the balance of export and import prices.

Latin American Trade Conditions (1970 = 100)<sup>18</sup>

	1975	1977	1979	1982	1985	1987
Latin America as a whole	116.3	127.6	119.9	106.6	106.8	101.4
Oil-exporting countries	193.2	195.6	206.0	215.8	205.8	160.0
Non-oil-exporting countries	84.9	98.8	83.7	62.4	63.7	68.0

As prominent Brazilian economists M. Paiva Ebrao and W. Fritch remarked, "the deterioration of the trade conditions of non-oil-exporting countries in Latin America is similar to what the region experienced during the years of crisis in the late 1920's and early 1930's."<sup>19</sup> It is indicative that although the oil-exporting countries are in a relatively better position, in recent years there has been a tendency toward a less favorable balance of export and import prices in these countries as well.

With a view to the troublesome situation in sugar markets, the Latin American states made a vigorous attempt to expand sales of finished goods and semimanufactured products. Exports of these goods increased perceptibly—from 1.5 billion dollars in 1970 to 22 billion in 1986, and their share of total exports rose from 10.6 to 25 percent. The highest rate of increase in exports of finished goods was in Brazil. Its products had accounted for 23 percent of Latin American exports in 1970, but the figure rose to 50 percent in 1985.

The capacities of ferrous metallurgy were augmented considerably in the region (from 13 million tons to 38 million) in the 1970's and 1980's, and total investments in this sector were around 20 billion dollars. On this basis, conditions were established for the development of exports. They increased more than tenfold in terms of physical units between 1970 and 1985 (from 859,000 tons to 10.1 million tons).<sup>20</sup> The automotive and electrical equipment industries and general machine building were developed in the leading countries of the region, and their products were also exported. Total

exports of machine-building products, for example, are now estimated at 7 billion dollars a year. These processes are the result of the new system of international division of labor, presupposing the curtailment of production in labor- and material-intensive industries in the capitalism centers and the establishment of production facilities of this kind on the periphery with the help of TNC's.

It is also significant, however, that the current stage of the technological revolution gave rise to a counter-tendency which did much to undermine the bases of the new system of international division of labor and reduced the interest of TNC's in using this system. Above all, this was connected with the successes in microelectronics, which could produce a considerable savings in wages. According to estimates, the number of people employed in the American processing industry decreased by 5 million between 1973 and 1985 while production volume increased by 40 percent. A further dramatic decrease in the number is anticipated in the future (for example, the number could decrease by two-thirds in the automotive industry by 2010 with production growth of 50 percent). In Japan employment in the processing industry is expected to decrease by 25-40 percent in the next 15-20 years while production output will double.<sup>21</sup> Under these conditions, the factor of cheap labor which attracted the TNC's to Latin America is losing at least part of its significance. The substitution of synthetic materials for natural resources is having similar effects. Above all, this is the main reason for the perceptible changes in the investment policy of TNC's.

The passivity of foreign investors in the regional processing industry is striking. Direct U.S. investments in this industry, for example, have displayed virtually no growth: The figure in 1986 was below the 1980 figure. This sector's share of Japanese capital investments decreased from 53.3 percent in 1975 to 32.5 percent in 1984. In reference to the evolution of Japanese investment policy, Mexico's COMERCIO EXTERIOR commented: "The new priorities signify that cheap labor no longer has any appeal to Japanese investors."<sup>22</sup> The same tendencies are apparent in the strategies of the leading West European exporters of capital.

The declining interest of the TNC's in the new system for the international division of labor and their increased desire to protect domestic markets stimulated stronger protectionism in the centers. There is reason to believe that the Latin American countries will have to deal with a much stricter import policy in Western nations in the near future with regard to the semimanufactured goods and finished products manufactured in the region. Exporters have fewer opportunities to use the advantages of the general system of non-reciprocal preferences. The new U.S. Trade Act could also impose additional restrictions on Latin America. Harsh protectionist restrictions, according to some estimates, caused Mexico to lose around 900 million dollars and Venezuela to lose 120 million in 1987.<sup>23</sup>

Significant changes have also taken place in the monetary sphere. The debt crisis which has stricken Latin America not only created economic difficulties in the region but also posed a serious threat to the capitalist world's financial system by jeopardizing the interests of the largest Western banks, especially U.S. banking monopolies. Suffice it to say that the total credits extended to Latin American countries by North American banks exceeded their own capital by 24 percent and that of the nine leading banks by 180 percent. Since that time international banks, with IMF participation, have conducted broad-scale operations to refinance the foreign debts of the countries in this region: Payments on debts of 296 billion dollars were deferred between 1982 and 1987 and the extension of new "involuntary" loans worth 39 billion dollars was authorized.<sup>24</sup> These measures kept the Latin American debt crisis from growing into a world crisis, but they did not have the same effect on debtors and creditors. The financial position of the countries of the continent remained critical, their foreign debt continued to grow, and they had to spend much more of their scarce currency to repay it. The international banks, on the other hand, used the past 5 years to alleviate their own problems at the expense of the debtors. It is indicative that the income of transnational banks, despite the monetary difficulties, did not decrease but actually increased. For example, whereas the receipts of the nine leading U.S. banks in the form of interest on credit represented 2.8 percent of their assets in 1980, the figure was 5.3 percent in 1985. On this basis, the international banks substantially increased their reserves and thereby strengthened their own financial position (in

particular, the relationship of the total credit extended to countries in the region to the "big nine's" own capital decreased to 105.5 percent, and it fell to 37.9 percent for other American banks).<sup>25</sup> This meant that the danger had been alleviated considerably for the creditors and that they had new opportunities to exert stronger pressure on the debtors. The banking monopolies (especially the U.S. ones) have refused to write off any of the debts, are insisting on regular interest payments, and are actively striving to make use of the debts as leverage to influence the economic policies of Latin American states.

It is obvious that the big economic changes in the capitalist centers, which are objectively weakening the world positions of Latin America and other parts of the "Third World," also have negative implications for the developed capitalist states. Serious disparities are already coming into being in the world capitalist economy, and international economic relations are becoming chaotic. Suffice it to say that the exacerbation of problems in Latin America hurt the interests of exporters in the United States, Japan, and the West European countries when they had to reduce their exports to this zone dramatically (by one-third in the United States, by almost half in the EEC countries, and by 40 percent in Japan). The interests of foreign investors were also injured to some extent. For example, the income of North American investors, which generally represent 15-18 percent of invested capital, decreased to 2-3 percent.<sup>26</sup>

All of this testifies to the urgent need for adjustments in market forces, the orderly redistribution of resources in favor of the developing countries, and the limitation and regulation of processes heightening their exploitation by international monopolist capital.

The proposals M.S. Gorbachev made at the 48th session of the UN General Assembly on 7 December 1988 are of fundamental importance in this context. He stressed that the accumulated foreign debts of the developing countries can neither be paid nor collected on the original terms. The Soviet Union's proposals are well known today: In addition to expressing its willingness to unilaterally establish a lengthy moratorium on the payment of debts by the least developed countries, and in some cases to completely write off their debts, our country proposed the limitation of payments on official debts in line with the economic development indicators of the debtors or the long-term deferment of most of the payments; the observance of UNCTAD proposals regarding the reduction of debts owed to commercial banks; the governmental support of market mechanisms regulating the debt problem. These far-reaching proposals were supported and appreciated by many developing states, particularly the Latin American countries.

#### Development Alternatives

The dramatic changes in the foreign economic sphere are dictating the need for the Latin American countries to



work out a new strategy to secure stronger economic autonomy, the priority use of internal resources, and the reduction of the role of external factors in economic development. This does not mean that they should pursue a policy of autarchy or isolation from the foreign markets, but the basis of the new policy should be the mobilization of their own forces and resources and the specific forms of participation in international division of labor that would meet the national interests of the Latin American states.

The new economic strategy will have to be worked out in an atmosphere of fierce political and ideological struggle. International monopolist capital and its allies in Latin America are making every effort to keep the region within the system of inequitable economic relations and are vigorously imposing the "open economy" model on the Latin American countries. The IMF is a resolute promoter of this idea. It hopes to perpetuate the economic and financial dependence of the continent on the capitalist centers and to preserve the conditions making its intensive exploitation possible. The plans worked out by IMF experts for the economic development of Latin America up to 1991 provide clear evidence of this. They envisage annual rates of increase of 3.6 percent in the GDP, 3.4 percent in exports, and 4.5 percent in imports, presupposing that external financing will reach 4.6 billion dollars (in 1985 prices) while the net capital outflow will stay at the level of 20 billion dollars a year. Therefore, they are clearly expecting a freeze on incoming foreign resources, minimal rates of economic growth, and the continued broad-scale draining of the region's financial resources, which should ultimately compound the current difficulties instead of alleviating them. The SELA experts who analyzed these development plans concluded that "these rates will secure neither the elimination of the unemployment that came into being during the years of crisis nor a rise in the standard of living of most of the population."<sup>27</sup>

The Latin American countries have recently planned some of their own projects to accelerate economic growth and improve their financial position. In particular, SELA experts have worked out a "neo-structuralist development model." It envisages average annual rates of increase of 5.3 percent in the GDP, 8 percent in imports, and 4 percent in exports from 1988 to 1991 and a minimum of 27 billion dollars in incoming foreign financial resources each year (in 1985 prices). These funds are expected to enter the region through the channels of government and private credit and direct private investments, with a prevalence of the former. According to estimates, incoming government resources will not exceed 3.3 billion dollars a year, although projected requirements (in 1990) will range from 11 billion to 14 billion dollars.<sup>28</sup> As for private bank credit, interest payments are to be reduced by around 40 percent through the extension of special private bank credits, which should secure receipts of 12 billion dollars a year. Direct private investments might total 5.3 billion dollars. Besides this, the model envisages a group of measures including more active efforts

by the public and private sectors to increase investments in production. When we look at the "neo-structuralist model" as a whole, we first have to mention two positive elements: First, it would limit the financial exploitation of the region and considerably expand and balance incoming resources; second, the authors of the model believe that government must continue playing an active role in economic affairs in the region and retain all of its regulating functions. The uncertainty of the possibility of acquiring the necessary foreign resources is the weak spot in the model. The West could hardly be expected to expand the financing of this model through government and private channels at a time when international monopolist capital is stressing the need for an "open economy" in the region. Finally, the SELA program virtually ignores the issue of long-overdue internal socioeconomic reforms, and this will certainly diminish the possibility of surmounting existing economic difficulties.

The "Program for the Future of Latin America," drawn up by a group of Latin American researchers (including G. Martner and S. Bitar) and submitted to a special ECLA session January 1987, is more radical. The authors believe that the current situation in the region is the result of disparities engendered by the contradictions of dependent capitalist development and compounded by the economic recession of the 1980's. The basic premises of the program are the following: First, development strategy should be geared to objective internal needs rather than the goal of export expansion and should be based primarily on the maximum use of regional resources; second, whereas the decisive development factors in the past were the foreign market and the internal demand of privileged groups in the population, in the future the reproduction process should meet the interests of the entire society, which presupposes the redistribution of national income in the interest of the broad masses; third, in view of the depressing prospects of broader economic ties with developed capitalist countries, foreign economic relations should be diversified, with an emphasis on regional cooperation and stronger ties with Asian and African countries and with the socialist community.

This program seems to envisage the progressive restructuring of the domestic and foreign economic policies of countries in the region and it probably could aid in strengthening the bases of economic independence in addition to accelerating their economic development. The authors, however, confined themselves to the formulation of only the most general principles, and these must be embodied in practical recommendations and concrete measures to attain these goals.

Therefore, the elaboration of a constructive strategy of socioeconomic development in the fundamental interests of the region is still in its initial stages. The battles over this process are certain to be fierce, because the future of Latin America depends on the choice of development patterns today.

## Footnotes

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3. "CEPAL. Notas sobre la economía y el desarrollo de América Latina." No 455/456, p 24.
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5. "BID. Progreso económico y social en América Latina. Informe 1986." Washington, 1986, pp 65, 68, 69.
6. INTEGRACION LATINOAMERICANA, Buenos Aires, 1987, No 124, p 22.
7. SURVEY OF CURRENT BUSINESS, Washington, August 1985; August 1987.
8. INTEGRACION LATINOAMERICANA, 1987, No 124, p 22.
9. "Restrictions on Sustained Development in Latin America and the Caribbean and the Requisites for Overcoming Them." Rio de Janeiro, 1988, p 29.
10. *Ibid.*, p 34; "BID. Progreso económico y social en América Latina. Informe 1986," p 25; 1987, p 451.
11. "BID. Progreso económico y social en América Latina. Informe 1986," pp 414, 417, 418.
12. *Ibid.*, pp 17, 22.
13. Capital totaling 124 billion dollars was taken out of the states of the continent between 1976 and 1985 (INTEGRACION LATINOAMERICANA, 1987, No 124, p 33; No 126, p 7).
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23. PANORAMA ECONOMICO LATINOAMERICANO, 1988, No 342, p 4.
24. "CEPAL. La evolución del problema de la deuda externa..." p 3.
25. *Ibid.*, p 2.
26. INTEGRACION LATINOAMERICANA, 1987, No 124, p 24.
27. "SELA. América Latina en la economía mundial: problemas y perspectivas." Mexico, 1987, pp 115, 116.
28. *Ibid.*, pp 116, 119.

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### Evolution of Andean Pact, Relationship to Foreign Capital

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[Article by A.B. Reznikov: "Andean Pact and Foreign Capital: Educative Evolution of Relations"]

[Text] A person who reads the journal regularly and who looks at the title of this article might remember the article on the same topic in issue No 7 in 1986.<sup>1</sup> What is the reason for the second look at the problem of foreign capital in the countries of the Cartagena Agreement? We should recall that V.I. Lenin was already advising us not to forget the main historical connection and to look at each issue from the standpoint of how a specific event occurred in history, which main stages it went through in its development, and how it looks today.<sup>2</sup>

In this case, the event was the adoption of a document unprecedented in the developing world (Resolution 24 of the Cartagena Agreement Commission) by the countries of the Andean Group at the beginning of the 1970's. It defined the bases of subregional policy on foreign capital. In our earlier article we showed how this policy had evolved under the influence of a group of external and internal factors, but the final result was still not completely clear yet.

Now the result of this evolution is known: At the suggestion of group members, in May 1987 the Commission approved Resolution 220, "Changes in the Common Policy on Foreign Capital, Trade Marks, Patents, and Royalties"—a product of a discerning review of several earlier, now obsolete commission resolutions (24, 37, 37a, 47, 48, 103, 109, 110, 118, 124, and 189).

There were reports on the new subregional policy on foreign capital in some Soviet and foreign sources,<sup>3</sup> but this is obviously not enough.

The evolution of the Andean Group's restrictive policy seems to require a balanced and objective analysis because this is not simply an isolated case: Just as Resolution 24 once served as a precedent for other developing countries in the struggle for economic autonomy, the evolution of the common policy in recent

years reflects the common tendency toward the liberalization and decentralization of economic affairs and the reduction of government regulation in the capitalist periphery.

#### What Was Amended?

A comparison of the Commission's resolutions 24 and 220 provides a great deal of material for analysis and far-reaching conclusions. To make our comparative analysis clearer, we will base it on a table listing the main statements in the common policy and the corresponding "amended" articles.

### Comparison of Basic Premises of Commission Resolutions 24 and 220

#### Resolution 24 (brief summary of articles)

##### Declarative portion

Article 7. Common standards should envisage effective mechanisms and procedures to secure increased participation by national capital in existing or new foreign enterprises

##### Resolutions

##### Chapter I

Article 2. At the request of Cartagena Agreement Junta, Commission can set common criteria to assess expediency of capital investment

Article 3. Investments intended for acquisition of stock or shares in holdings of national or subregional investors are prohibited (with a few exceptions)

Article 4. Participation by foreign investors in national or mixed enterprises can be authorized in cases of capital expansion, but only on the condition that enterprise remains at least mixed

Article 7. Foreign investors have the right to re-export invested capital if stock or shares are sold to national investors or if enterprises are liquidated

Article 8. Re-exportable capital must be equivalent to initial volume of registered direct foreign capital investment (on the condition of their effective use) and reinvested sums

Article 12. Reinvestment of profits will be viewed as new capital investment, which cannot be made without advance permission from competent national agency and subsequent registration

Article 13. Member governments can allow reinvestment without advance permission on the condition that total amount to be reinvested does not exceed 7 percent of total enterprise capital

Article 16. Foreign credit agreements concluded by foreign parent companies and their subsidiaries or between the latter will have an annual interest rate cap of 3 percent over prime rate in financial market of the country in whose currency the operation will be conducted

Article 17. Foreign enterprises will not have access to long-term internal credit. Conditions of short- and medium-term credit will be defined in national legislation

Article 21. When technology is transferred by foreign parent company or its subsidiary to a subsidiary operating in host country, payment of royalties and any tax write-offs are prohibited

Article 24. At Junta's request, Commission can ask signatories to set up customs barriers to goods with foreign trade marks and manufactured with the use of commonly available foreign technology

##### Chapter II

#### Resolution 220 (amendments)

Applies only to foreign enterprises interested in expanding Andean market (art. 7)

Deleted

Both can be authorized by national legislation (art. 4)

Re-export is also permitted in cases of reduction of enterprise capital

Besides this, definition includes subsequent growth of direct foreign investments (art. 8)

Profits can be reinvested in national, mixed, and foreign enterprises. Reinvestment will be regarded as foreign capital investment made in line with national legislation. Registration requirement waived (art. 10)

Deleted

Interest per annum will be set by competent national agency (art. 13)

Terms of internal credit of any type will be defined in national legislation (art. 14)

Royalties can be capitalized after payment of taxes due. When parent company or its subsidiary transfers technology to local subsidiary, payment of royalties might be permitted by competent national agency in each specific case (art. 19)

Deleted



## Comparison of Basic Premises of Commission Resolutions 24 and 220

## Resolution 24 (brief summary of articles)

Article 28. Foreign enterprises expressing wish to make use of advantages of expanded market must conclude agreement with competent national agency on conversion of their property to national or mixed property within first 3 years after common policy goes into effect. At end of 3 years, share of enterprise capital contributed by national investors will have to be at least 15 percent. Term of conversion will be 15 years for Venezuela, Colombia, and Peru and 20 years for Bolivia and Ecuador

Article 30. In Venezuela, Colombia, and Peru, share of national investors in capital of foreign enterprises should be 15 percent when enterprise is established, 30 percent after one-third of property conversion term has elapsed, and 45 percent at end of second third of term. Figures for Bolivia and Ecuador will be 5 percent 3 years after establishment of enterprise, 10 percent after one-third of term has elapsed, and 35 percent at end of second third. The 20-year period during which conversion should be completed will begin 2 years after start of production

Article 34. Conversion procedure will not apply to foreign enterprises exporting 80 percent or more of their products, but they will not be eligible for advantages of expanded market. Procedure will not apply to foreign enterprises operating in tourist industry either

Article 35. Observance of conversion commitments will be overseen by competent national agency

Article 36. If sale of stock or shares of state holdings or state enterprises to national investors violates specified property relationship percentages, enterprise will lose status of mixed enterprise and its products will not be eligible for privileges accruing from Cartagena Agreement liberalization program

Article 37. Signatories can authorize transfer of profits in higher amounts (over 20 percent of annual volume) if they inform Commission of reasons for this decision

## Chapter III

Article 38. At Junta's request, Commission can define sector reserved by signatories for national state or private enterprises

## Chapter IV

Article 49. If products imported by foreign enterprises within framework of liberalization program injure national interests, signatory can request Junta to take measures to correct injury

Article 51. No statute connected with investment or transfer of technology should contain articles envisaging removal of disputes from jurisdiction and competence of host country or state usurpation of rights and actions of capital owners

## Chapter VI

Article 58. Investments of international financial organizations or foreign government agencies operating within framework of economic cooperation will be categorized as neutral capital

## Resolution 220 (amendments)

Foreign enterprises will be able to conclude agreements on conversion at any time. When necessary, foreign enterprise can petition competent national agency for abrogation of agreements or for changes in terms of conversion (art. 26). Term for gradual and progressive stock buy-outs will be 30 years after appropriate agreement with competent national agency has been signed for Venezuela, Colombia, and Peru and 37 years for Bolivia and Ecuador (art. 25)

Three years after agreements have been signed, minimum share of national or subregional investors in Venezuela, Colombia, and Peru should be 15 percent, at end of first third of term it should be 30 percent, and at end of second third it should be 45 percent; figures for Bolivia and Ecuador are 5 percent after 5 years, 10 percent at end of first third of term, and 35 percent at end of second third (art. 25)

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The same, but with no need to inform Commission (art. 15)

Deleted, along with other articles of Chapter III

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Disputes in sphere of foreign investment or technology transfers will be investigated in manner stipulated in national legislation (ch. III, art. 34)

Investments of certain international credit and finance organizations to which members of Andean Group are party will be regarded as neutral capital. If some members of group are not party to international organization, it (as well as foreign government agencies operating within cooperative sphere) can request Commission for neutral status (ch. V, art. 42)

### Comparison of Basic Premises of Commission Resolutions 24 and 220

#### Resolution 24 (brief summary of articles)

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Appendix No 1 to Common Policy (information regarding authorization, registration, and oversight of foreign investments)

#### Resolution 220 (amendments)

If organizations listed in Article 42 make such requests, they must submit as much information as possible on their investment policies, operational procedures, and investment volume in different countries and sectors (ch. V, art. 43)

After Commission receives necessary information from Junta, it satisfies requests of applicants on the condition of vote of approval by two-thirds majority and no dissenting votes (ch. V, art. 44)

Deleted, because these matters are to be turned over to competent national agencies

We can make several observations when we compare the articles in the two documents, which could be called two versions of the common policy. First of all, Resolution 220 did much to clarify the articles in Resolution 24 which had been given conflicting interpretations and to eliminate the invalid definitions that complicated its implementation. It is obvious that these amendments have made the common policy incomparably more flexible, particularly in the area of sectorial restrictions on foreign investment, the conversion of foreign enterprises into mixed and national enterprises, interrelations between foreign investors, the reinvestment of profits, access to the domestic market and credit, etc. The Commission's fundamental aim of decentralizing the regulation of direct foreign investments should be underscored. The main restrictive mechanisms have been made directly dependent on national laws, which have been relaxed to the point at which they not only differ substantially in each country but also bear little resemblance to the first version of the common policy.

It must be said, however, that Resolution 220 is more in line with the real state of affairs in the subregion in the middle of the 1980's. This is specifically attested to by the fundamental change in requirements for the conversion of foreign industrial property into mixed or national property, the longer stock buy-out terms, and the legitimized removal of restrictions on the access of foreign investors to the sector previously reserved for national capital.

The liberalization of regulating policy and its decentralization—i.e., the lowering of the level from the subregional to the national, with all of the ensuing qualitative consequences—led to a situation in which the common policy lost its compulsory nature in the new version and acquired pronounced declarative and advisory features. Although the common policy has remained restrictive in the formal sense and belongs to what Argentine economist C. Maria Correa would classify as a regulating model of the first type,<sup>4</sup> it has objectively acquired the potential to offer incentives. This is specifically attested

to by the elimination of preferential conditions in several sectors—the mining industry, transportation, banking and insurance, utilities, etc.

We must not lose sight of the fact that the restrictions borrowed from the first version of the common policy have had little real impact. This is true, for example, of the retained restriction on capital exports to 20 percent of the capital invested. As Colombian economist G. Misas Arango has pointed out, however, "the TNC's have not been too insistent, at least not publicly, on higher amounts (for transfer abroad—A.R.), because the transfer of 20 percent (after the payment of taxes, the creation of authorized reserves, and the replenishment of accumulations) would be an admission that profits on invested capital exceeded 60 percent."<sup>5</sup>

Besides this, Resolution 220 still contains the characteristic defects of the earlier policy. Article 15, for example, which defines the procedure (an extremely liberal one, incidentally) and limits of transfers of net profits abroad, stipulates that "each signatory can set a higher percentage." This stipulation, therefore, makes the limits set in the article meaningless, just as those in Article 44 of Resolution 24, and only underscores the declarative nature of the document.

In view of the fact that Resolution 220 turns the most important questions of foreign capital regulation over to the national jurisdiction of signatories, it would be quite natural to ask the fundamental question of whether there is any need for this policy in its present form. There can be no simple answer to this question. In our opinion, three factors have to be borne in mind. First, Resolution 220 introduces virtually no changes into the mechanisms regulating technology transfers and several other important provisions (in particular, it still insists on the priority of national investors and the need to augment their share of the capital of foreign enterprises),<sup>6</sup> and this sustains the restrictive power of the common policy to some extent. Second, as Colombian scholar C. Vaitos stressed, "the interaction of economic integration and

transnational corporate operations is so closely intermeshed that the elaboration of a common policy on TNC's is becoming the first and foremost problem in the integration process.<sup>17</sup> In this context, the common policy in its new, largely declarative version can still play a definite role in sustaining the integration process after its loss of dynamism at the beginning of the 1980's.

Finally, a third factor, and one which does not favor a common policy, is the constant reduction of the flow of foreign private capital into Latin America in recent years. This has been confirmed in numerous studies by Soviet and foreign scholars and experts.<sup>18</sup> This puts the policy's sphere of application in question and will dramatically diminish the effectiveness and scope of the common policy.

In our opinion, this is the present dialectic of struggle between restrictive and neo-liberal tendencies and between national and foreign capital. The third factor plays a definite role in this system of relations and evidently will continue to play this role in the future because of the purely practical aims of the investment policy of the Andean countries. In other words, the threat of the curtailment of foreign financing has already forced them to liberalize their economic affairs and could force them to go even further in the future, to the point of abolishing the common policy as such. This possibility is confirmed by the appearance and intensification of new processes reflecting the desperate attempts of developing states, particularly the Andean countries, to attract foreign capital.

#### Capitalization of Debts: Who Benefits?

One of the new trends engendered by the crisis of foreign financing is known as the capitalization of the foreign debt. Regrettably, our scholars of Latin American affairs have only mentioned this relevant topic in passing. The process of capitalization in many countries of the region, however, has gone quite far and has had a direct effect on the bases of their economic autonomy.

There is no room in this article for a detailed examination of this phenomenon. We will only say that in its most general form, the process represents, according to R. Bouzas and S. Keifman, the replacement of foreign debt obligations in foreign currency with obligations in local monetary units—the stock of industrial enterprises, promissory notes, and other securities.<sup>19</sup> In most cases the creditors (usually transnational banks) are offered a certain share of the capital of state or private industrial enterprises in the debtor country to reduce the foreign debt and, consequently, the cost of servicing the debt.

The countries of the Andean Group are resorting to these operations on an increasingly broad scale, guided primarily by two considerations: First, capitalization lightens at least part of the burden of foreign indebtedness and reduces payments on the debt, and this is extremely important at a time of stagnant foreign trade relations; second, giving foreign capital owners a chance to acquire a share of the capital of local industrial enterprises could

stimulate the revival of foreign investment activity. When foreign private banks establish direct complete or partial control over industrial production (or trade, services, etc.) in the Andean countries, they substantially reduce the absolute volume of outstanding credit and, consequently, the risk connected with this. This strategy is actively supported by international financial organizations, especially the IMF, and by the U.S. Government. In particular, the Baker Plan was based largely on the proposals regarding the capitalization of foreign debts.

Proceeding from the advantages the debtors perceive in conversion, the countries of the Andean Group supplemented their legislation on foreign capital with corresponding statutes on the national level. In Ecuador, for example, the currency council approved Resolution 395/86, defining the parameters of the capitalization of the private foreign debt, at the beginning of December 1986. In accordance with this resolution, foreign or local private investors can acquire promissory notes purchased by the central bank at the nominal cost minus commissions. The bank turns over these sums in national currency to private individuals for capital investment and thereby relieves itself of the need to "extend new credit to cover payments by means of capitalization."<sup>20</sup> Several rigid restrictions have been imposed on the movement of capital: For example, they prohibit the transfer of profits abroad in the first 4 years and the repatriation of capital investments in the first 12 years. The repatriation term must not be shorter than the specified term for the amortization of the foreign debt. In all other respects, the resolution secures the best possible conditions for capitalization because it contains no restrictions other than existing limits on direct foreign investments.

In Venezuela the procedure of capitalization is defined in Law No 1521 of 1987, envisaging the possibility of converting foreign credit and the public foreign debt into foreign and national direct private capital investments. By the terms of this law, investors have the right to transfer no more than 10 percent of the capital abroad in the first 3 years; the repatriation of capital is prohibited in the first 5 years, and in the next 8 the maximum rate will be 12.5 percent; after 13 years there will be no restrictions on repatriation.

The conversion of foreign debt obligations into direct foreign investments is permitted on the condition that the latter are being made for the purpose of replacing imports, developing the export base, or preventing the bankruptcy of enterprises, and also in cases involving investments in agriculture and agribusiness, the transportation infrastructure, tourism, housing construction, the manufacture of items for use in production, and production in the chemical, petrochemical, electronics, and aluminum industries, computer engineering, and biotechnology. Exceptions can also be made for other sectors. After the central bank authorizes conversion, it buys up the credits contributing to the public foreign debt and extends these sums in national currency to foreign or local investors for effective investment. The



obligations of the internal public debt could be purchased in the same manner.

A slightly different procedure for the capitalization of the foreign debt has been developed in Peru. As we know, this country initiated the repayment of debts with commodity shipments. The current procedure is one in which two-thirds of the total volume of non-traditional export goods is sold to consumers for convertible currency while the remaining third is used for the repayment of debts.

In Colombia the process of capitalization has spread to the banking sphere along with other sectors. The government of this country is certain that the terms of conversion (particularly the discount rate) are inadequate for potential buyers of debt obligations and has offered them additional privileges in the form of broader participation in the capital of local credit and finance establishments. Capitalization is being promoted vigorously in Bolivia, where the crisis of external financing has had the most devastating effects.

It is clear that the practice of reducing debt obligations by augmenting the share of foreign business capital in the economy contradicts the common policy (even in its amended form) directly in many cases and that it is frequently contrary to the interests of autonomous development. Above all, we must realize that the conversion of the foreign debt replaces indirect control of the national economy with direct control, and in the most dynamic and profitable sectors at that. Junta coordinator E. Moncayo Jimenez was apparently guided by similar considerations when he said that "the idea of relaxing the common policy in order to legitimize the payment of the Andean countries' debts with stock in state enterprises will lead to the denationalization of key sectors in the Andean national economies, and for this reason the idea should be resolutely rejected."<sup>11</sup>

Besides this, capitalization can only have an immediate impact because there is no guarantee of new large credits or the intensification of direct investments in the present or the foreseeable future. In addition, no one can guarantee that the amount of profit transferred out of the country and dividends will not exceed total interest payments in the future. Furthermore, there is no guarantee that a higher percentage of direct foreign capital investments at a time of liberal investment legislation will lead to the augmentation of the production potential of host countries. As ECLA consultant E. Lahera said in this context, "not every transfer of assets (to the host country—A.R.) is accompanied by the augmentation of the national economy's production potential, just as not all sectors of the economy are equally suitable for the attraction of foreign investments."<sup>12</sup> Besides this, capitalization could intensify structural disparities and budget imbalances and stimulate speculation in local assets and inflation.

The tendencies and events of recent years have led us to the conclusion that the idea of government intervention

is in crisis and that the processes of the liberalization and decentralization of economic affairs are growing more intense. We are apparently dealing with objective factors requiring a thorough examination.

It would be impossible not to see the dangers lying in wait for underdeveloped countries on the open seas of economic neo-liberalism; it would also be impossible not to notice the direct threat to the integration processes that are preventing the loss of economic autonomy. Furthermore, today it is not enough to simply see these dangers. In Latin America, just as in some other places, economic theory is not keeping up with practice. The progressive vulnerability of the countries in this region demands a realistic and accurate answer to the difficult questions raised by the realities of life.

One of the most important is the question of the government's role. "In Latin America," SELA spokesman I. Basombrio wrote, "there is the common opinion, fostered to some extent by such organizations as the World Bank..., that the root of international problems can be found in the scales of government intervention. This serves as a basis for the argument that the reduction of government's role...will make underdevelopment surmountable, but this approach does not address the problem in its entirety. This is not a matter of reducing the scales of government in the quantitative sense, but a matter of better adaptation to new problems and social realities."<sup>13</sup>

We believe that Soviet scholars of Latin American affairs should do their part in the analysis of this and other relevant development issues.

#### Footnotes

1. E.V. Levykin and A.B. Reznikov, "The Andean Group and Foreign Capital: Experience in Struggle and Compromise," *LATINSKAYA AMERIKA*, 1986, No 7, pp 26-41.

2. V.I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 39, p 67.

3. The published commentary containing the most complete description of the contents of Resolution 220 is the collective work by researchers from the Latin America Institute of the USSR Academy of Sciences, "Latinskaya Amerika 80-kh godov. Inostrannyi predprinimatelskiy kapital" [Latin America in the 1980's. Foreign Business Capital], edited by I.K. Sheremetev, Moscow, 1988.

4. According to C. Maria Correa's system of classification, the first type are compulsory policies aimed at overseeing the activities of foreign investors (the policies once pursued by the countries of the Andean Group and by Mexico and the Dominican Republic, and in part by Argentina, Brazil, and Chile). The second type are of an persuasive nature (Uruguay and Paraguay—and partially, Argentina, Chile, and the Caribbean countries)—

for more detail, see C. Maria Correa, "Inversion y tecnologia," *REALIDAD ECONOMICA*, Buenos Aires, 1986, No 71, pp 35-59.

5. G. Misas Arango, "Empresas multinacionales y Pacto Andino. Regulaciones andinas al capital multinacional y el patron de acumulacion en Colombia," Bogota, 1983, p 95.

6. Furthermore, there is an emphasis on the fact that these are enterprises expressing the desire to make use of the advantages of the integrated market. See Art 7 of the declarative portion of Resolution 220, "JUNAC, Regimen Comun de tratamiento a los capitales extranjeros y sobre marcas, patentes, licencias y regalías. Cuadro comparativo del Regimen Comun y el Proyecto de decision que lo sustituye," JUN/di 1057, 9 February 1987, p 4.

7. C.V. Vaitos, "The Role of Transnational Enterprises in Latin America. Economic Integration Efforts," New York, 1982, p 2.

8. See, for example, "Latinskaya Amerika 80-kh godov," pp 90, 104; "Prospects for Socioeconomic Development of Latin American Countries and Current Global Problems: Papers for International Science Conference," Moscow, 23-25 November 1988, p 10; I. Basombrio, "La situacion de America Latina y sus perspectivas hacia el año 2000," SELA, Caracas, 10 September 1988, pp 13-14.

9. For more detail, see R. Bouzas and S. Keifman, "Desarrollos recientes en el manejo de la crisis de endeudamiento externo de America Latina," *AMERICA LATINA/INTERNACIONAL*, Buenos Aires, 1987, No 12, p 121.

10. *ANALISIS SEMANAL*, Quito, 19 December 1986.

11. E. Moncayo Jimenez, "La Decision 24 y financiamiento del desarrollo en el Grupo Andino," *REVISTA CAMARA DE COMERCIO DE BOGOTA*, 1986, No 61, pp 60-61.

12. E. Lahera, "La conversion de la deuda externa vista desde America Latina," *REVISTA DE LA CEPAL*, Santiago, 1987, No 32, p 121.

13. I. Basombrio, Op. cit., pp 31-32. COPYRIGHT: Izdatelstvo "Nauka", "Latinskaya Amerika", 1989

### Ecuador's Political Development Reviewed

18070172 Moscow *LATINSKAYA AMERIKA*  
in Russian No 2, Feb 89 pp 32-41

[Article by S.A. Baburkin (Yaroslavl): "Ecuador: From 'National Reconstruction' to 'Democratic Socialism'"]

[Text] The Ecuadorean society's transition from military rule to a civilian regime in 1979 was something like the harbinger of the demilitarization of domestic politics in the South American countries.

In spite of the "changing of the guard," the conflicts between authoritarian and democratic tendencies in domestic politics did not disappear. In this context, the

period which began in the middle of the 1980's is particularly indicative. It was marked by stronger authoritarian and conservative tendencies in domestic politics and a stronger pro-American foreign policy, which was largely due to the 1984 presidential election victory of Leon Febres-Cordero, a prominent Guayaquil industrialist who represented the Social Christian Party, part of the electoral coalition called the National Reconstruction Front (FRN).

### IMF Recipes for "National Reconstruction"

The victory of the FRN candidate strengthened the position of rightwing forces representing the interests of the financial industrial bourgeoisie connected with TNC's. After making populist campaign promises of "food, shelter, and jobs," Febres-Cordero began promoting the "neo-liberal" economic model, which had already proved to be an effective policy for rightwing authoritarian military regimes. In his inauguration speech he promised to "open the door to foreign capital," "renounce all forms of government interference" in economic affairs, and assign priority to the private sector.<sup>1</sup>

The implementation of this program signified the reinforcement of the influence of the big capital represented by the local bourgeoisie and foreign firms and the simultaneous contraction of the state sector. This was clearly revealed in the oil industry, the major source of Ecuador's foreign currency revenues. To attract foreign capital, the Febres-Cordero government amended the 1978 Oil Act in 1985 to allow foreign firms to conclude several "venture contracts" rather than one and to work oil deposits for 20 years. The stronger concentration of the country's oil deposits in the hands of foreign firms and the local oligarchy was accompanied by the reduction of the role played by the state-owned CEPE company. In line with IBRD recommendations, it made sharp cuts in its previously planned investments in oil production programs.

State capital investments in geological exploratory operations in 1985 were more than 4.5 times as great as the next year. The figure declined from 30 million dollars in 1985 to 6.5 million in 1986.<sup>2</sup>

"The inflexible arch-conservative" and "the fiery and even incendiary defender of economic liberalism,"<sup>3</sup> as Febres-Cordero was described in the Spanish press, agreed to the devaluation of the sucre, supported the "Baker plan," turned over customs control to a Swiss firm, and curtailed the program of socioeconomic development.

In spite of a relatively promising start, the Chicago school's recipes for "national reconstruction" did not produce an economic miracle in Ecuador. Disillusionment had set in by the middle of Febres-Cordero's first term in office. In 1986 the state of the economy was

affected adversely by the drop in oil prices on the world market and the consequent reduction of currency revenues. The rate of increase in the GDP was only 1.8 percent that year, or less than half of the rate in 1985.<sup>4</sup> Ecuador's economy was dealt a new blow by the March 1987 earthquake which damaged the trans-Ecuadorean pipeline and stopped oil exports for 5 months, as a result of which the government stopped all payments on the foreign debt of 9 billion. All of this led to higher inflation and unemployment. The respective rates at the beginning of 1988 were 32 and 11 percent. In general, Febres-Cordero's economic policy was in the interest of the local oligarchy and foreign capital but intensified social conflicts by making the rich richer and the poor poorer.

#### In the Wake of U.S. Policy

There were also changes in Ecuadorean foreign policy after L. Febres-Cordero took office. In fact, as Foreign Minister E. Teran Teran admitted after two and a half years, the country's policy line in the international arena underwent a complete reversal. This was a reversal from non-intervention in the internal affairs of other countries, active participation in the movement for non-alignment, OPEC, and the Andean Group, the development of relations with countries in different regions, and the promotion of the peaceful resolution of conflicts and the reorganization of the international economic order to rigid reliance on the United States and the unconditional support of its Republican administration's policies. Febres-Cordero's government simultaneously began undermining the solidarity of the OPEC countries and Andean Group, criticized the Contadora Group's actions in the OAS, and severed diplomatic relations with Nicaragua.

All of this isolated Ecuador from other Latin American countries and also caused its isolation in the broader international context. In time, ruling circles grew increasingly aware of the high cost of this line, which had been severely criticized by the opposition. Ecuador's statement in the OAS against the intentions of the secretary general of this organization, J. Baena Soares, to take a trip through Central America, a statement which was protested by the Contadora Group and the Support Group, became the last link in the chain of E. Teran Teran's unpopular actions in the international arena. His resignation from the office of foreign minister in January 1987 was justifiably seen as the result of the country's foreign policy failures and the disagreements over international issues in the government. The statements made by the new head of the foreign policy establishment indicated a desire to make foreign policy adjustments. In particular, he said that the conflict in Central America posed a threat not only to this region but also to peace everywhere on the planet, that peaceful means were the only possible way of solving the problems, and that Ecuador was ready and willing to support all moves in this direction. The Ecuadorean Government's official request for membership in the Group of Eight in May 1988 indicated significant changes in its Central American policy. There were also changes in its approach to

the foreign debt, acknowledging the political nature of the problem and the need for its resolution through the joint efforts of debtors and creditors with no infringement of the economic sovereignty of developing countries. Nevertheless, the Febres-Cordero government's foreign policy line was the target of pointed criticism during the 1988 campaign.

#### Democracy or Authoritarianism?

When L. Febres-Cordero took office as president of the republic in August 1984, Western observers happily interpreted this as evidence of the "gradual reinforcement of the democratic ambitions of a nation" where political affairs had been distinguished by instability for a long time, and as the "slow but sure reinforcement of Ecuadorean democracy."<sup>5</sup> It is true that this was the first time since 1960 that the outgoing president had transferred power to a constitutionally elected head of state. The new government's program, however, aroused the dissatisfaction of fairly broad population strata. The Confederation of Ecuadorean Workers, for example, at its 17th congress, held soon after Febres-Cordero took office, "voiced vehement objections to the government's announced liberal plans because they are contrary to the public and national interest."<sup>6</sup> The leftist and centrist political parties with a majority in the National Congress advised the rejection of the neo-liberal policy. Their unification in the opposition Progressivist coalition signified parliament's transformation into a counterbalance to the administration and made the implementation of its plans difficult.

The extensive and vigorous opposition to Febres-Cordero's socioeconomic plans, however, did not disturb this self-assured, persistent, and unyielding statesman. He began carrying out his program against all of the objections, as if he were corroborating the campaign slogan "Anything Is Possible With Leon!" His political behavior, according to the description of the CHRISTIAN SCIENCE MONITOR, was reminiscent of "a bull in a china shop...managing the country the same way he managed his firm."<sup>7</sup>

His method of governing was condemned by the opposition, which accused Febres-Cordero of authoritarian and unconstitutional actions because he ignored congressional decisions and constitutional guarantees, obstructed the work of the Supreme Court, which had been elected by parliament and was objectionable to the head of state, and restricted freedom of the press.<sup>8</sup> Febres-Cordero tried to justify his style of political leadership by making references to the "immaturity" of Ecuadorean democracy. "I must admit with some embarrassment that policy in Ecuador is quite relentless. This is a brutal policy, but I am not responsible for this," he said, "and I have to survive in this system."<sup>9</sup>

Ecuadorean history proves conclusively that the "survival" of a president depends largely on the position of the armed forces, who have traditionally played an active and often decisive role in national politics. After



the transition to a civilian regime in August 1979, their commanders had tirelessly assured the public of their commitment to representative democracy, but Febres-Cordero had to consider the fact that some officers, including those of the highest ranks, still supported the nationalist line of General G. Rodríguez Lara's government and had been directly involved in the establishment and management of enterprises in the state sector. The new government's program was unlikely to appeal to them.

The changes Febres-Cordero made in the military upper echelon immediately after he took office seemed to secure the full support of the armed forces for the new government. This absolute loyalty was expressed concisely when General L. Pineiros was asked what his position was on the Ecuadorean-Peruvian border conflict—one of the key issues for the Ecuadorean military. "My position," the new minister of defense said, "will be the same as the position of the president."<sup>10</sup>

### The "General Vargas Affair"

The two rebellions General Frank Vargas, Air Force commander, fomented within a single week in March 1986 dispelled the illusion of the president's unanimous support by the armed forces and exposed the dissension in their ranks. Ecuadorean Communists made the accurate observation that these events had to be viewed within the context of "the complex situation taking shape in the country as a result of the activity of the Febres-Cordero government, which has been authoritarian from the very beginning and has served the interests of the oligarchy, financial capital, transnational monopolies, and the foreign policy of the United States."<sup>11</sup> In the opinion of Secretary General R. Mauge of the PCE [Communist Party of Ecuador] Central Committee, Vargas' demonstrations were aimed "against the despotic authoritarianism of President Leon Febres-Cordero" and expressed the feelings of "constitutionalist groups in the armed forces alarmed by the actions of the Febres government."<sup>12</sup> The 16th Plenum of the PCE Central Committee on 22 and 23 March 1986 provided an in-depth analysis of the socioeconomic and political implications of the March crisis. It said that the uprising revealed "not only corruption in some circles, but also a more acute conflict between the reformist tendency in the armed forces, which elaborated a nationalist program for the government of General Rodríguez Lara, envisaging the reinforcement of the state sector of the economy, and the neo-liberal model, which meets the interests of monopolies and transnationals...and envisages the dismantling of vitally and strategically important branches of the state sector by turning them into private property."<sup>13</sup>

Although the Air Force commander's rebellion ended in his arrest, the "Vargas affair" had broad repercussions. Local observers watched with alarm as the confrontation between the government and the opposition grew more intense and asked the sides to "overcome this political cannibalism as the Venezuelans did," warning that "an

atmosphere of intolerance and excess will make a sudden takeover by the generals inevitable."<sup>14</sup>

After suffering a defeat in the referendum and partial parliamentary elections of 1 June 1986, the government seemed to have modified its position and chosen the line of domestic political detente based on a dialogue with the opposition. The battle broke out again soon afterward, however, and the "Frank Vargas affair" was once again the bone of contention. On 23 September 1986 the new Chamber of Representatives, where the opposition controlled the majority, resolved to grant Vargas political amnesty. The resolution, however, was blocked by the president. It was almost time for the rebellious general's trial, and his supporters had one last resort. On 16 January 1987, after a brief but intense exchange of fire with the president's bodyguards, a landing force from a special Air Force subunit seized L. Febres-Cordero on the Taura base and forced him to sign a document for the release of the former Air Force commander. "What happened yesterday," Chairman A. Vallejo of the Chamber of Representatives said the next day, "was a de facto amnesty after the government refused to recognize the *de jure* amnesty."<sup>15</sup> The national leadership of the Broad Leftist Front described the incident as "another rejection of Febres-Cordero's undemocratic policies."<sup>16</sup>

### The Quietest Election in Half a Century

It was almost time for the general elections, scheduled for January 1988, when the 4.5 million Ecuadoreans who were eligible to vote had to elect a president and vice president of the republic, National Congress deputies, and local government officials. There were 10 contenders from 17 parties, representing the entire political spectrum in Ecuador today, in the race for the top office. This variety made it improbable that any contender would win the absolute majority of votes needed for election to the presidency in the first round. According to public opinion polls, just before the January 1988 elections none of the candidates could count on the support of even one-fourth of the voters. The leader in the race was Rodrigo Borja Cevallos, representing the leading opposition party, the Democratic Left. He was supported by just over 20 percent of the respondents in polls. He was trailed by Sixto Duran Vallen, the Social Christian Party leader who, in the opinion of VISTAZO magazine, symbolized "the continuation of the same policy line (as L. Febres-Cordero's—S.B.), but in a different style."<sup>17</sup> Duran himself admitted that he had been nominated as a precautionary measure against the nationalization plans—similar to the Peruvian banking experiment—the Democratic Left might try to promote. In contrast to the other contenders, whose popularity was regional, Borja and Duran were supported by voters in all of the country's provinces. They were regarded as the most probable contenders in the second round of the election race. In any case, a VISTAZO correspondent remarked, "one candidate will represent the ruling party and the other will represent the opposition. The final battle will be between them."<sup>18</sup>

Although the second round was virtually inevitable and the presidential elections of 31 January 1988 were regarded by most people as nothing more than a set of elimination trials to determine the two finalists, the campaign was intense and sometimes unethical. The different parties exchanged accusations bordering on insults, ambushed the candidates' campaign parades, and even fired on the headquarters of other parties with machine guns. Nevertheless, on the day before the elections an official government spokesman announced with pleasure that this was the quietest and most peaceful campaign in half a century: The medical "tally" was only (!) four wounded.

The political results of the campaign were equally interesting. Contrary to expectations, this was the first time there was no ruling party candidate in the run-off election. Duran Vallen came in third in the race, after R. Borja Cevallos and A. Bucaram Ortiz. Opposition parties also won the highest number of votes in the parliamentary and local elections, especially the Democratic Left, which won 29 of the 71 seats in the National Congress. The election results indicated that the majority of Ecuadoreans rejected Febres-Cordero's policy and they consolidated the stronger position of the Social Democrats, Populists, and Christian Democrats at the expense of the ruling parties (whose candidates were associated with unpopular government policies) and of leftist forces, where there was no unity in the ranks.

In a sarcastic reference to the slogan about the "unconquerable United Left," VISTAZO commented that events in Ecuador were more likely to corroborate another hypothesis, that "a disunited left is always conquered," and made the caustic remark that the disunity of the left was growing more pronounced because "they now have two 'unities' instead of one."<sup>19</sup> It is true that the leftist forces were split into two campaign coalitions. Popular Patriotic Unity, made up of the Popular Revolutionary Action and Socialist parties of Ecuador, nominated F. Vargas for president. The United Leftist Front, established by the Popular Democratic Movement and the Broad Leftist Front, to which the Communist Party of Ecuador belongs, nominated J. Hurtado Gonzalez. The leftist candidates came in fourth and seventh respectively in the presidential race, and whereas the close to 400,000 votes F. Vargas won were an unquestionable political triumph for the retired general, this cannot be said of the results of the Broad Leftist Front's campaign, which has been admitted by the Ecuadorean Communists.

#### **Social Democracy vs. Populism**

Therefore, the contenders in the second-stage presidential election were opposition candidates who had been part of the same coalition in the 1984 elections and had almost beaten Febres-Cordero then: Rodrigo Borja Cevallos, the Democratic Left candidate who had won 20.3 percent of the vote in the first stage, and Abdala Bucaram Ortiz, from the Ecuadorean Roldosista Party,

whose share of the votes was 5 percent smaller than his rival's. During the second stage their campaign tactics and styles diverged substantially. Borja regarded the second-stage election as a confrontation between populism, which he referred to as "20th-century witchcraft," and a modern social democratic party. He stressed that populism was losing ground in Ecuador because the primitive solutions it suggested for national problems and its "promises that paradise was around the corner" did not appeal to Ecuadoreans, and he placed his hope in the increasing popularity of the social democratic program in all of the country's provinces. Borja tried to win the support of other centrist and leftist parties, striving not to make any promises he could not keep and putting the emphasis on the seriousness, integrity, and competence of his future government.

Bucaram, the 35-year-old leader of the Ecuadorean Roldosista Party, established after the death of President J. Roldos Aguilera of the republic in 1981, objected "in principle" to the creation of voter coalitions and campaigned in a typically populist manner, primarily addressing the poor population strata in the outlying districts of big cities, spending the large sums he had collected from the Lebanese community and the big businessmen in Ecuador, and playing up to the religious feelings of voters. When he appeared on television, for example, he asserted that it was God's will that he, a true Catholic, would become president, and that R. Borja was a godless envoy of the devil and had to be rebuffed. His impressive appearance on a helicopter before thousands of admirers in Guayaquil after he had been absent from the country for almost 2 years was associated with the coming of the messiah and completely matched the style of the rest of his campaign. His highly controversial and inflammatory speeches, his vehement attacks on his opponents, his condemnation of the oligarchy, his public vows—on nothing less than the honor of his mother—that he would be Febres-Cordero's enemy until the end of his days, and, of course, his promises of everything good, did the trick: As the second-stage election drew near, public opinion polls recorded Bucaram's increasing popularity. "I am the Roldos of 1988 and I will win," he asserted, invoking the name of his sister's late husband, who won a conclusive victory in the 1979 election.

Although Bucaram's success in the first round seemed to refute Borja's statements about the decline of populism in Ecuador, Bucaram himself tried to dissociate himself from populism by stressing the ideologized nature of his party: "I would not call myself a populist. On the contrary, I belong to an organized political party with an ideology. I will make policy in accordance with the ideals bequeathed by Atahualpa."<sup>20</sup>(?)

In spite of this, Bucaram's "witchcraft" did not produce a miracle. When 77 percent of the voters cast their ballots on 8 May 1988, R. Borja won 1.7 million votes, 250,000 more than his rival, and the mandate to govern the country for the next 4 years, until 10 August 1992.

### Rodrigo Borja: The Policy Line of "Democratic Socialism"

Rodrigo Borja Cevallos, a 53-year-old doctor of jurisprudence and a prominent attorney and politician, was born and raised in Quito in a middle-income home. During his years at American College, he was better known, according to reports in the press, for athletic achievements than for academic distinction. He retained his love of sports in subsequent years and was even a professional race-car driver in the 1960's. There is no question that his love of sports left an imprint on the personality of Ecuador's current president. He admitted: "I love speed, risk, racing, basketball, and action."<sup>21</sup> People who know Borja describe him as an authoritative man with high self-esteem and a tireless worker.

When he was a student (he graduated from the Central University in Quito with honors) he added an interest in politics to his love of sports. In 1962, when he was a member of the Liberal Party, he ran for parliament as a candidate of the National Democratic Front and won, but in 1968 he left the Liberal Party, and 2 years later he and some other young politicians established the Democratic Left—a social democratic party with a sociopolitical doctrine based on the idea of "democratic socialism." During the years of the military regime, Borja practiced law and worked tirelessly on the reinforcement of his own party, which he represented in the last three presidential elections as its candidate for the top government office.

In 1979 Borja was out of the race before the run-off election, and in 1984 he won the highest number of votes in the first-stage election but then lost to L. Febres-Cordero in the second stage. Four days after his defeat, however, he was touring the country again, holding rallies, meeting people in different regions, and thanking those who had voted for him. "I had nothing to offer, but the fight was not over yet," Borja said.<sup>22</sup> This persistence and extraordinary endurance helped him surmount the loser image and enter the race for the presidency again and finally win it.

It seemed to some people in Ecuador that Borja's victory would make the notorious communist threat a frightening reality. As the Democratic Left's leading ideologist and the author of such books as "Democratic Socialism," "Essays on Democracy in Latin America," and "Youth and Revolution," Borja spoke repeatedly of socialism as the goal toward which "the people of Latin America and the Caribbean should advance in a tireless and vigorous struggle." But what kind of socialism was he discussing? "We need a socialism for the second half of the 20th century, a socialism for the space age, a socialism for the electronic revolution, a socialism for the computer age, and not a socialism congealed in the supposedly sacred Marxist writings of a hundred years ago," Borja said, defining "democratic socialism" by contrasting it with the "deformed varieties of Marxism that are practiced in some parts of the world."<sup>23</sup> Putting the emphasis on demands for freedom, democracy, and

social justice, the Ecuadorean adherents of "democratic socialism" admit that "an individual cannot be free unless he has the economic resources to afford it," they stress the need to augment the social function of property ownership, and they feel "it is the duty of public authority to eliminate the forms of property that can hurt the society or serve as the instruments of social domination."<sup>24</sup>

The leader of the Democratic Left pacified private business by promising businessmen firm and honorable "rules of play." When Borja advocated a stronger regulating role for government within the framework of a mixed economy, he assured the business community that he had no intention of nationalizing private enterprises and banks. He also acknowledged the need for foreign capital investment by saying that selective investments should be allowed in the specific fields chosen by the government.

### Priorities, Plans, and Possibilities

When the president of Ecuador listed the main economic problems his government would try to solve, he named the inflation of 60 percent a year, the foreign debt he estimated at 11.8 billion dollars, the unemployment which now extends to 14 percent of the economically active population, the budget deficit representing 8 percent of all government expenditures, and the deterioration of conditions in income distribution.<sup>25</sup> Borja sees the solution to this difficult situation, which he describes as the most severe socioeconomic crisis in the country's history and which he compares to the state of postwar Europe, in the replacement of the bankrupt neo-liberal policy of "national reconstruction" with a "new model of economic development" based on a higher standard of living and higher purchasing power. As a result, businessmen should be able to make new investments, create new jobs, and pay higher wages; wage increases should correspond to a rise in demand, and then the economy will emerge from the crisis. This is how Borja described the essence of his proposed "new economic model."

As for the foreign debt, he believes that the "social debt" takes priority—i.e., Ecuador's urgent socioeconomic problems—and feels that the government is not capable yet of paying off its foreign creditors. Although Borja has mentioned the need for coordinated action by the debtor states, he believes that "each country should seek its own solutions to its own problems" and plans to seek the deferment of payments. He also supports the idea of an agreement with the IMF. He did promise not to submit to its recipes, however, because they have intensified the differences between Latin American societies.

In the domestic policy sphere, Borja has declared the priority of the reinforcement of the country's democratic institutions, which were weakened by the authoritarian behavior of the previous government, the inclusion of the general public in political affairs, the involvement of peasants, the Indian masses, trade unions, and other public organizations in the resolution of socioeconomic



problems, a struggle against corruption in government, and the guarantee of social justice, which, in turn, should guarantee national unity and internal peace and tranquility.

At the beginning of the 1980's Borja was already saying that the supporters of "democratic socialism" must "not become a pawn in the geopolitical game of the great powers."<sup>26</sup> According to his campaign statements, the new government will pursue an independent policy in international affairs, based on the principles of non-alignment, peaceful coexistence, and cooperation. This policy will be distinguished by broader foreign relations and attempts to reinforce Latin American integration and solidarity. The leader of the Democratic Left promised voters he would promote the augmentation of the United Nations' role in the resolution of international problems, the establishment of a new international economic order, and the peaceful settlement of the situation in Central America within the Contadora framework. His foreign policy program envisages the restoration of relations with Nicaragua without delay (and this was done on inauguration day, 10 August 1988) and measures to protect the country's natural resources and its interests in the 200-mile maritime zone. Borja favors the reinstatement of Cuba in the OAS. He also announced his hope of supporting friendly relations with the United States, however, and expressed the wish that his differences of opinion with Washington over U.S. policy in Central America and Panama would not affect bilateral relations.

As we can see, Borja's program is largely pragmatic. Members of the country's business community, the majority of political parties and labor unions, the church hierarchy, and the military command had a positive response to Borja's election victory and expressed their willingness to work with his government on the resolution of socioeconomic problems.

Will it be easy for Borja to keep his campaign promises and to justify the expectations they aroused? On the political level it will be easier for him than it was for Febres-Cordero, because the Democratic Left has the highest number of seats in Congress and can guarantee the administration solid parliamentary support in conjunction with the other parties which supported Borja in the election. Apparently, the current president of Ecuador will encounter his greatest difficulties in the economic sphere. The vulnerability of his proposed development model consists in the need for resources to finance it. These can only be obtained abroad, along with foreign creditors' demands with regard to government economic policy.

Under these conditions, can the immutability of this policy line and of the process of democratization be guaranteed? When Borja's supporters expressed worries about possible departures from his announced program,

he assured them that "this would be absolutely impossible. We cannot turn right.... There will be no compromises." It is true that Borja once underscored the flexibility of the social-democratic platform: "We social democrats are anti-dogmatics.... There are no eternal truths. Everything can and must be questioned.... We have no sacred socialist writings, no ever-ready truths, and no sacrosanct formulas."<sup>27</sup> This fundamental premise could serve as the basis for stronger elements of pragmatism and rationalization for changes in the policy of the Borja government, which will have to function in an atmosphere of complex internal and external conditions.

#### Footnotes

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7. THE CHRISTIAN SCIENCE MONITOR, Boston, 30 June 1986.
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11. EL PUEBLO, Guayaquil, 14-20 March 1986.
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13. EL PUEBLO, 11-17 April 1986.
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17. VISTAZO, 1987, No 480, p 6.
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19. Ibid., 1987, No 482, p 7.
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21. Ibid., 1987, No 471, p 25.
22. Ibid., p 22.
23. NUEVA SOCIEDAD, Caracas, 1980, No 48, pp 121-123.
24. Ibid., 1977, No 28, pp 151-152.

25. BOHEMIA, Havana, 1988, No 21, p 75.
26. NUEVA SOCIEDAD, 1980, No 48, p 122.
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### Social Transformations in Latin America (Part I)

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[Article by Yu.N. Korolev: "On the Threshold of the Regulated Society. Innovations in Social Experimentation"]

[Text] In the middle of the 1980's Latin America entered a new phase of historical development. How can it be defined and what are the grounds for this statement?

The fact is that finally, as a result of a long and agonizing search and by trial and error, ruling groups in most of the countries of the region "adjusted" and repaired the mechanism for the reproduction of socioeconomic relations—or, more precisely, of their main strategic blocs. This created the prerequisites for development without any of the global upheavals leading to the complete or partial destruction of the created and "half-built" system of interaction by social structures. This, however, does not mean that the search for a *modus vivendi* is over. On the contrary, this is the beginning of important and scrupulous work for the improvement of society and its reinforcement to the point at which it has the capacity for self-tuning and self-regulating social and economic ties. In other words, the social experimentation will continue, but the fundamental historical problems of development (the establishment of a national market, a nation, industry, etc.) will be replaced on the agenda by "finer points," such as the reinforcement and normalization of electoral processes and political systems on a representative basis and the creation of mechanisms to protect basic human rights and the interests of minorities and to guarantee the observance of laws and the relative equality of all people before the law. In other words, the dominant class has created a socioeconomic basis for a transition from a system of authority based on coercion to methods of persuasion, in which the functional effectiveness of the system will serve in itself as proof of its historical correspondence to the status quo. This is the first stage of democracy: the domination of the minority by the majority. An electoral majority is guaranteed, however, and the dominant class can therefore trust its fate to the voters.

It would be naive to assume that this will be a smooth process in the Latin American countries, devoid of outbursts of individual or mass violence. On the contrary, violent signs of social and political activity can be expected; terrorism, irrational political theories, and governmental crises should become the norm in public

affairs (if we can venture an analogy, however hypothetical, we could compare the situation in some countries of this region to the last three decades in Spain, Italy, and Portugal). Some people might say that this was always the case, but the main internal difference between the 1980's and earlier decades is the change in forms of "volcanic" sociopolitical behavior: Although they have retained their external features, they are no longer primary actions, capable of leading to a change of government or the replacement of the dominant class, and have become secondary actions, peripheral to the mainstream of development and no longer capable of having a fundamental impact on the choice of paths of development, but merely of flaring up and illuminating the path already chosen. This element of instability is present to some extent in different countries of the region, depending on the degree to which the main objectives of bourgeois revolution have been attained and on the absence of democratic experience or institutions (for example, in Peru, Colombia, and Ecuador, industry is highly developed but agriculture is extremely backward; this structural disparity gives rise to a high level of social tension which always generates violence; even in those countries, however, this conflict no longer poses any threat to the system of government).

When the issue of democracy is examined in this context, however, it is only part of a bigger problem. The fact is that the need for broader and stronger democracy is dictated by the absolutely new and totally unprecedented social situation taking shape after the stormy period of transnationalization. Its distinctive feature is that the resolution of new problems necessitates broad democratic participation by all concerned forces. It is this tendency that slowly but surely made (or is making) a breach in the seemingly monolithic totalitarian structures of the Latin American societies. Under these conditions, authoritarian government cannot find effective ways of escaping the intricate maze of problems in the 1980's; the choice of a single alternative model from the start is impossible, but trial and error and discerning selection are possible and will reveal the somewhat convoluted but lone valid development trajectory.

In Latin America the most influential forces are still the supporters of economic modernization and statist social democracy. There are strong signs, however, of transnational social democracy (primarily in the countries which went through the phase of modernization under democratic conditions—Mexico, Venezuela, and Costa Rica) and associate social democracy (in countries with a highly marginal national economy: Peru, Ecuador, Brazil, Colombia, Chile, Panama, and others). It is in the latter countries that the new urban movements, ecological movements, indigenous organizations, and many other new forms of mass mobilization have been seen.

The question of relations between the transnationalized and national economies became a matter of primary concern in Latin America, temporarily superseding the earlier problems of structural development (the underdevelopment of agriculture, the presence of small-scale

production in cities, marginal strata, etc.). Furthermore, by robbing the national economy, transnationalization aggravated the social development problems that seemed secondary in the 1960's, namely the issues of national democracy. In the 1960's and early 1970's, sociologists reported, and quite accurately, that the conflict between labor and capital had become the main concern in the Latin American countries and that the overall maturity of the material preconditions of socialism indicated that the revolution was socialist in its economic implications. Transnationalization reversed (or changed) the relationship between the main contradictions, assigning priority once again to the issue of national reconstruction.

Of course, the class struggle has not disappeared and will not "wait" while the society renews its energy; it will continue developing and will have an unavoidable impact on the restoration of national structures. Besides this, the socioeconomic changes in Latin America are putting additional pressure on the liberation movement at this time. In addition to the politico-military defeats the popular movement has suffered, transnationalization has hurt the labor and union movements. Modernization stimulated the stratification of the proletariat and the birth of a relatively privileged stratum of the laboring public. It simultaneously introduced the elements of strong political and ideological disorientation into middle strata and the peasantry. The result was a unique and complex social panorama in which the increasing political activity of the masses and the general elevation of political and class consciousness are combined with the absence of organized unity, the intensification of the factional struggle, and the phenomenon of politico-ideological intolerance.

Situations of this kind frequently come into being during the transitional stages of social development; they sometimes give birth to lasting structures that determine the future of a nation for a long time.

In the last two decades revolutions have flared up several times in the countries of this region, but only two were strong enough to defend themselves—the Cuban and Nicaraguan revolutions. It is no secret that it is easier to start a revolution in an underdeveloped country, but its continuation—i.e., the construction of a new society—entails colossal difficulties. There is still the chance of massive social upheavals accompanied by violence and profound social change in Latin America today. Nevertheless, we must realize that the current phase is distinguished by a fundamentally different tendency. Hired workers have become the indisputable and overwhelming majority of the population in all of the capitalist countries of Latin America. The situation characteristic of the beginning of the 20th century and its entire first half, in which the working class and the petty bourgeoisie fought for democracy together but suddenly discovered their social differences—the workers needed an 8-hour workday to give them time to renew their strength for the next "machine day," but for the petty bourgeoisie the 8-hour workday signified economic death because it did not allow small-scale production to

be profitable—no longer exists. Small businessmen no longer represent the majority of the electorate—they have been supplanted by hired workers. Social programs, just as the 8-hour (or even shorter) workday, became a reality and an inevitability to which the small-scale producer had to adapt. And he did. But when he did this, he ceased to be the full-fledged owner of the means of production and became "an owner on credit," which meant that he could not operate independently, but only with subcontracted, leased, or subleased property from big (monopolistic) businessmen or the state.

Most of today's "small" businessmen, at least the successful ones, own property only temporarily and only on the condition that it can be used successfully (with a high profit margin); they represent a new type of manager whose right of ownership of the means of production in some form is only delegated by monopolistic capital. This means that small-scale production has not stopped moving toward proletarianization, but it has undergone an important and fundamental phase and has been transformed en masse into part—perhaps the most wealthy part, but also the part subject to the highest risks—of the hired labor force. Of course, small businessmen are still closely connected with ordinary property ownership—and to a much greater extent than other groups of hired labor, they have more stock in various enterprises than other groups of hired labor, they have more "free" capital, and so forth, but this does not change the essence of the phenomenon. It does, however, change the social status of the so-called "hired middle strata." On the one hand, they have a strong interest in demands for social protection and higher wages and they understand the complexities of economic management and the management of specific production units, but on the other they are closely related to state-monopolist capital. This petty bourgeoisie bears no resemblance to the petty bourgeoisie of the beginning of the century.

Under these conditions, the proletariat constantly encounters a "friend-enemy" among the dominant classes. It is true that this part of the population understands and supports the proletariat's demands for the protection of the national economy, the creation of a strong state sector, social programs and guarantees, and political rights and freedoms, but it takes the side of the bourgeoisie at the decisive moment in the development of transitional situations. Is this the reason for the frequent failure of revolutions in Latin America?

Socioeconomic and political changes have taken place in some countries in the region, and some have accumulated the kind of discerning sociopolitical potential that could be described or defined in general as the completion of the fundamental tasks of a bourgeois revolution: the creation of fairly stable social structures, representing the basis of bourgeois democracy and signifying the emergence of these countries from the underdeveloped group, where it is easy to start a revolution, and their appearance in the group where revolutions take long and painstaking preparation—i.e., a move to a path similar to the historical evolution the West European



countries underwent after World War I. After the Latin American society had completed this important stage in its development, new problems and issues came into being. We could not say that the main ones today did not exist yesterday, but yesterday's secondary development problems have become matters of primary concern today because of the new alignment of forces.

### Three Phases

The new cycle in the modernization of the economy in Latin American countries, which started at the beginning of the 1960's, naturally coincided—and because of the international nature of present-day relations in national production, could not fail to coincide—with a similar stage in the industrially developed countries. This is an important point because the initial momentum came from them.

The modernization of the national economy is part of the general process of the internationalization of capital and is only conceivable within the framework of this process, which develops in accordance with objective laws—or, more specifically, the objective law, discovered by Marx, of the internationalization of capital.

At the same time, modernization is a profoundly internal process which is also subject to the effects of the objective law of the establishment and development of the socioeconomic structure—the law of national development and its economic basis, the laws governing the development of the national market.

The nation is the great triumph of the bourgeois revolution, its discovery, and its offspring. The national market, its laws, and the historical energy directed at the creation of the national market represent the strongest factor contributing to social development and the mobilization of social forces. The ruling class demanded all sorts of sacrifices from the people for the sake of the nation, for the sake of patriotism, and in defense of national values, and the people agreed. In this respect, the mobilization of natural, economic, and human resources for the sake of stepped-up national development and economic growth is a way of achieving the necessary breakthrough in economic development, the new stage of correspondence to world standards through the heightened exploitation of labor.

The goal of national modernization is self-evident: to reach the world level or to prepare new national economic "bloes" for inclusion in the world economy—i.e., to integrate new sectors of national resources and capacities into the world economic system. In other words, the goal is to secure the process of the internationalization of capital with the necessary construction materials, fuel, and energy.

Although the national market and internationalized economy seem to be opposite entities, they are indissolubly connected. National, internal consolidating processes essentially constitute the first stage of internationalization.

This cycle was distinguished by a change in the alignment of forces in the power structure: Monopolies took the dominant position in the ruling bloc in place of a state expressing and defending the interests of the entire dominant class. In the previous cycle the "international impulses" of the monopolies were suppressed or at least restrained for the sake of primarily national goals. The internationalization of capital was primarily accomplished through the integration of national markets, and not of the technological structures themselves. This was a difficult and contradictory process, and its consistency could be secured only by extremely powerful states regulating economic development and intervening in all processes on the strategic level. Wars, in addition to the other purposes they served, were the most effective factor in national consolidation and the unity of the dominant class, and this, in turn, secured the subordination of international impulses in economic development, represented primarily by monopolies, to the interests of the national bourgeoisie. The changing objectives of development within the dominant bloc and the clash of national and international impulses create the spark of the dialectic of social progress and secure the consistency and continuity of production relations within a specific socioeconomic structure.

In the reality of the Latin American countries, which is almost "unalleviated" by social gains, these brutal movements of the struggle and unity of opposites and this dialectic of contemporary social construction might be more visible than in the "old" industrialized countries. After the crisis of 1981-1983 the process of industrialization entered its third phase, after spending the 1960's and the first half of the 1970's in the phase of "unrealized goals" or "movement within itself," and after the second phase, in which all governments openly accepted the transnational corporate plans and the model of the free market economy. The second and decisive phase of modernization began at the time of the economic crisis in the middle of the 1970's, which demonstrated the impossibility of surmounting the accumulating signs of crisis with the aid of traditional methods (not only in Latin America but also in the rest of the capitalist world), and ended with the new crisis in 1981-1983, which was the first crisis of the new structures in Latin America. The crisis of the 1980's signalled the need to find regulating systems for the stabilization of the relations that had taken shape as a result of socioeconomic transformations in line with transnational corporate recipes and plans. This search began in the early 1980's, and this marked the beginning of the third phase.

When we assess the results of social development as a whole during the first phase of modernization, we must concentrate on the acute conflict between development tendencies influenced by the laws of the internationalization of capital and, consequently, progressive within the existing structure in this sense, and another tendency characteristic of bourgeois relations, completing the process of national formation (with the national or domestic market as its basis). This conflict caused extreme social

unrest, intensified the class struggle, and dramatically politicized and activated all social forces, but the tendency toward internationalization, which is objectively progressive in the capitalist society, had no social support (or social base). The mass bourgeois movement was tempered by nationalist dreams and democratic ambitions, took on a general democratic content, and merged with the socialist movement.

The national democratic movement, which was then directed against the vector of sociohistorical progress (against transnationalization within the capitalist framework and against socialism outside this framework), had no positive program and acquired the irrational features of a spontaneous rebellion, which allowed the proteges and ideologists of monopolist capital to use it against the revolutionary democratic forces proposing some comprehensive and progressive programs (Chile under Popular Unity, Peru under Velasco Alvarado, and Panama under Torrijos). The military authoritarian regimes established as a result of counter-revolutionary coups and serving the interests of TNC's rested precisely on the nationalist-seeming protests of the bourgeoisie, plus, it goes without saying, the army and police.<sup>1</sup>

An extremely interesting phenomenon came into being: The plan for transnationalization, which had no social base, began to acquire one in the social strata opposing modernization and uniting under nationalist banners. This paradox is familiar to historians and frequently accompanies major shifts in social production relations.

It is amazing how persistently the "already overdue" modernization formula was promoted and how precisely any "freely chosen" development option within the capitalist framework created a situation representing the initial stage of transnationalization in the society. Furthermore, almost all of the countries in the region, in spite of their socioeconomic differences, reached the critical point, the initial point of fundamental decisions, almost simultaneously—in the middle of the 1970's.

The second phase of modernization was distinguished primarily by the fact that all of the governments were clearly aware of the goals of modernization and almost all of them acknowledged the "Friedman model," the model of the free market economy, as the theoretical basis. After realizing the specific economic implications of ongoing transformations, various political forces in the society defined their attitudes toward them and began drawing up programs for the future—the post-reform period. For this reason, the second phase of modernization was also distinguished by clear political goals: Gradually, increasingly broad segments of the Latin American public supported democratization; socialist slogans gave way to democratic slogans everywhere, and this reflected the essence of ongoing changes in the base and in the alignment of class forces.

During and after the crisis of the middle of the 1970's, military authoritarian regimes took charge of many

countries in the region. In fact, representative democracy continued to exist in only six of the more than 30 states in the region—Mexico, Venezuela, Colombia, Costa Rica, Ecuador, and the Dominican Republic (and it is probable that only two or three of these six could be categorized as regimes of representative democracy without any reservations). In this article we are not discussing the young Caribbean states, which were completely subordinate to England and the United States, especially in matters of economics and foreign policy, despite their formal independence (the attempts of Grenada and Jamaica to carry out national development plans were halted with the aid of military intervention in one case and economic and political destabilization in the other). In Central America the United States simply dictated its wishes to the tyrants in Nicaragua, Guatemala, El Salvador, and Honduras.

During this period economic development was distinguished by rapid changes in the structure of production, the quicker growth of power engineering potential, and more intense financial activity (speculative methods of accumulating and redistributing capital). The processing industry grew considerably, the quality of its products improved, and they became more competitive in the world market. An important result of modernization was the rapid rise of labor productivity in industry in Latin America, exceeding the rate of rise in developed industrial countries.

Between 1960 and 1980—i.e., during two phases of modernization—the Latin American GDP increased from 223.6 billion dollars to 730 billion (in 1984 prices), and the per capita gross product increased from 1,070 dollars to 1,919. The fact that these indicators rose 3.5- and 2-fold respectively in 20 years attests to major shifts in the social structure, and it is true that the share of agricultural production in the GDP decreased from 18-20 to 10-12 percent, whereas the share of industry and the basic services rose from 35 to 41 percent.<sup>2</sup> The highest rates of development were seen in the processing industry (an increase of 6-7 percent in the product each year in the 1970's), in power engineering (10 percent), and in finances (over 7 percent).<sup>3</sup> Within the processing industry, furthermore, the production of the means of production increased at a relatively quicker rate than overall development (from 26.1 percent in 1960 to 37.2 percent in 1979).<sup>4</sup>

Therefore, during this period there were rapid changes in the structure of production in favor of technological forms and the quicker growth of power engineering potential. The following data provide some idea of the scales of these processes: Whereas in the 1950's Argentina, Chile, and Uruguay produced 41 percent of the entire regional industrial product, in 1980 their combined product was equivalent to only a third of the industrial product of Brazil and Mexico.<sup>5</sup>

In 1980 Brazil and Mexico accounted for 61.8 percent of the product of the regional processing industry. Nine countries of the subcontinent crossed the 20-percent

threshold in the processing industry's share of the GDP. In Brazil and Argentina the figure exceeded 27 percent, and four countries—Chile, Mexico, Peru, and Uruguay—are approaching the 25-percent mark. The speed of industrialization was particularly impressive in Costa Rica, where the processing industry's share rose from 16.4 percent in the 1960's to 21 percent in 1980, and in the Dominican Republic, with a corresponding rise of from 15.3 percent to 18.6 percent. Colombia and Nicaragua crossed the 22-percent border in 1980.<sup>6</sup> As a result, exports of the products of the processing industry from Latin American countries increased from 298 million dollars in 1960 to 16 billion in 1980 (in current prices). During the same period imports increased from 3.5 billion dollars to 34 billion.<sup>7</sup> Therefore, whereas in 1960 the ratio of exports to imports was 1:12, in 1980 the ratio was approximately 1:2.

The processing industry's share of all Latin American exports, however, remained small—17 or 18 percent.<sup>8</sup> Furthermore, 70-80 percent of the exported goods were produced by TNC's (although they exported only 10 percent of their product out of Latin America).<sup>9</sup>

Calculations indicate that Argentina, Mexico, Ecuador, Peru, Uruguay, and Bolivia were distinguished by higher rates of development than the industrially developed countries (the previous correlation was preserved in Costa Rica).

In 1960 the relationship of labor productivity in Latin American industry to the indicators of developed countries was 1:2.6, but in 1980 it was 1:2.3. This 0.3 rate of reduction is equivalent to 5 percent, which says little about the scales of the process but nevertheless provides some idea of its nature: In the last 20 years the Latin American countries have gradually caught up with the most highly developed states in the industrial sense. It is quite indicative—as a general trend—that Latin America simultaneously lagged behind the developed countries in agriculture. Whereas in 1960 the relationship of labor productivity in Latin American agriculture to productivity in agriculture in the developed countries was 1:4, in 1980 it was 1:5.3 (a lag of 32.5 percent).<sup>10</sup> These are clear signs of an economic imbalance, but they provide only an approximate and extremely blurred picture of the essence of this phenomenon. For clarification, we have to look at the countries which were involved most actively in the process (i.e., those which interested the world capitalist economy first and most).

All of this was accompanied by the magnification of old "dividing lines" and the appearance of new ones. A deep gap appeared between the new, modernized industrial and agroindustrial sectors and the old ones. There was a new stratum of medium-sized and small farms which functioned as subcontractors, using modern technical equipment to fill the orders of TNC's.

By the beginning of the 1980's four countries had taken the lead. The GDP exceeded 130 billion dollars in Argentina, was over 285 billion in Brazil, was around

168 billion in Mexico, and was 68 billion in Venezuela, representing 75 percent of the total Latin American GDP (in 1984 dollars).<sup>11</sup> For this reason, transnationalization naturally developed virtually through all channels in these countries. Because of differences in political conditions (dictatorships in Argentina and Brazil and representative democracies in Venezuela and Mexico), quite different "sets of instruments" were employed as the basic means of modernization.

In Argentina and Brazil (just as in Chile and Uruguay), where authoritarian regimes had been established, their socioeconomic policies were virtually identical, especially in the second phase of transnationalization. The military regimes in these countries conducted an open-door policy to attract foreign capital, eliminated all forms of protectionism of national capital and local industry, cancelled all or almost all social programs (although they did make some attempts at social maneuvering), instituted strict austerity in line with the demands of the IMF, broke up trade unions and political parties, did not restrain the growth of unemployment, and used brute force to suppress all public opposition to this savage method of dragging local capitalism through the purgatory of international monopolist competition.

### Turning Point

Argentina, Brazil, Uruguay, and Chile chose the capitalist modernization option that was most radical and least humane in the social sense. This was the alliance of the politico-military state with the TNC's and TNB's representing international financial capital. By the end of the last decade the economic results of this development model even gave rise to the hope that backward and "neglected" national socioeconomic structures would gradually improve without any changes whatsoever. In 1980 Chile's GDP increased by 7.8 percent. In 1982 and 1983, however, the country was stricken by economic crisis: In 1982 Chile's GDP decreased by 14.1 percent<sup>12</sup> (or by 13.1 percent,<sup>13</sup> according to some sources). In Argentina production volume decreased by more 13 percent in 1981 and 1982. In Uruguay the GDP decreased by 9.4 percent in 1982, 5 percent in 1983, and 3.3 percent in 1984. Production cuts and other signs of crisis in countries with military-police regimes had a negative impact far in excess of the regional average, which was a decrease of 1 and 3.1 percent respectively in the GDP growth rate in 1982 and 1983.

The crisis first affected industry, where the scales of modernization were particularly massive. In Chile, for example, there was a decrease of 21.9 percent in industry but of only 10.8 percent in agriculture. In this case as well, the indicators were far in excess of the data for all of Latin America.

Of course, it is important to know what the crisis meant: imbalances or malfunctions? Which processes required closer attention? Judging by all indications, the problem did not lie in traditional relations, even though these relations also suffered during the crisis, but to a lesser



degree. It was precisely the modernized structures and the mechanisms of their interaction and reproduction that sounded the alarm. The stagnation in all production sectors attested to the global nature of the crisis, indicating not only a cyclical crisis but also a crisis of structures and of interrelations between the transnationalized economy and the national economy. It is possible that the gap grew wide enough to provoke the curtailment or cessation of the modernization process for the most basic reasons and the conclusion of the transnationalization cycle at this point. This is attested to by a precise barometer of the state of economic processes—the movement of capital: In 1983 the influx of foreign capital investments in Latin America was seriously diminished. It is indicative that whereas the figure in 1982, the first year of the crisis, was over 50 billion dollars, in 1983 it was only 14.4 billion. This was a long-term crisis: a cyclical and a structural crisis—a crisis of the new modernized structures.

The military-police dictators in the southern cone watched the example set by Nicaragua and El Salvador as they made the difficult and lengthy preparations for their choice. In general, it was precisely the cessation of growth and the avalanche of economic problems (and, naturally, of sociopolitical ones) that forced the authoritarian governments in the South American countries to agree to a dialogue with the civilian opposition. It resembled a voluntary act at first, but it became increasingly obvious that the time when problems in the mainstream of development could be solved from above, by authoritarian means and without the participation of the public and of public opinion, was over. It was time to mobilize all intellectual and democratic potential to seek and find answers to new questions about development. From the standpoint of economic strategy, the main question was that the market economy no longer allowed for crisis-free development and could not regulate the structural crisis; different ways of regulating relations under these new conditions had to be found. The TNC's and TNB's no longer intended to help the dictatorships; they took advantage of the crisis to intensify the modernization of industrial countries at the expense of the periphery. The net outflow of finances from the region was 18.4 billion dollars in 1981, 30.1 billion in 1982, and 26.7 billion in 1984. The Latin American countries had to reduce imports dramatically: from 98.4 billion dollars to 56.3 billion in 1981-1983 (they remained on this level in the middle of the 1980's as well). The positive balance of 10 billion dollars in 1982 and 31 billion in 1983 did not cover payments on the debt, however, because these amounted to 34-37 billion dollars a year in 1982-1983.<sup>14</sup> The total foreign debt exceeded 50 percent of the GDP in terms of cost. If we include debt amortization and interest, Latin America's annual payments in 1982 and 1983 exceeded 66 billion dollars.<sup>15</sup>

The foreign debt played a dual role. The Latin American economies had an urgent need for development financing, and the credit served this purpose to a certain extent. At the same time, as the economic potential of

the countries in the region grew, there was the fear that the TNC's would lose this wealth due to nationalization. In this context, the foreign debt served as a preventive mechanism, because the natural sum of the loans and credits extended to Latin American countries would certainly return to the bank safes.

The international financial organizations which reflected the constructive potential of capitalism most clearly in their policies showed initiative in motivating the Latin American governments to give up their earlier economic policy, the policy of the free market economy, and began demanding guarantees from the debtors. These guarantees were found: In 1982 the Mexican Government nationalized the country's private banks (or, more precisely, put them under state control), assuming the responsibility for interest payments on the foreign debt.<sup>16</sup> In 1983 the Pinochet government took the same step by establishing control over the banks in Chile.<sup>17</sup> In this way, they clearly declared that the current phase of transnationalization was over and that a new one was beginning in the sphere of policy as well.

*To be continued*

#### Footnotes

1. A. Rouquie, "L'Etat Militaire au Amerique Latine," Paris, 1982, pp 375-377.
2. "BID. Informe anual 1984," Washington, 1985, p 116; "BID. Informe anual 1985," Washington, 1986, p 114.
3. ECONOMIA DE AMERICA LATINA, Buenos Aires, 1984, No 12, pp 109-112; "CEPAL. Notas sobre la economia y el desarrollo," Santiago, 1985, No 409-410, p 11.
4. "Situacion economica reciente, politicas y perspectivas en America Latina," "BID. Progreso economico y social en America Latina. Informe 1984," Washington, 1984, p 209.
5. P. Vuskovic, "Debates actuales sobre el desarrollo industrial de America Latina," ECONOMIA DE AMERICA LATINA, 1984, No 12, p 19.
6. "Situacion economica reciente..." pp 217-218.
7. These were imports of raw materials and semimanufactured goods for agriculture and industry. See: ECONOMIA DE AMERICA LATINA, 1984, No 12, p 39.
8. Ibid., p 36.
9. Yu.N. Korolev, "Transnationalization of the Economy in Developing Countries: Causes, Characteristics, and Limits," LATINSKAYA AMERIKA, 1983, No 8, p 27.
10. A. Couriel, "Pobreza y subempleo en America Latina," REVISTA DE LA CEPAL, Santiago, 1984, No 24, pp 54, 57, 60.

11. "BID. Informe anual 1985," p 114; H. Palma, "America Latina: limitacion de armamentos y desarme de la region. Centro Peruano de estudios internacionales (CEPEI)," Lima, 1986.

12. "Evolucion macroeconomica reciente," in "BID. Progreso economico y social in America Latina. Informe 1986," Washington, 1986, p 18.

13. "Notas sobre la economia y el desarrollo," 1985, No 424-425, p 10.

14. *Ibid.*, p 15; "The Debt Crisis in Latin America," Stockholm, 1986, p 69.

15. *Ibid.*, p 77.

16. "Mexico ante la crisis. El contexto internacional y la crisis economica," Mexico, 1986, p 145.

17. A. Trujillo, "La deuda externa latinoamericana. Chile," *PROBLEMAS DE ECONOMIA*, Buenos Aires, 1985, No 88, p 36.

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### Roundtable on Latin American Peace Process, "Reagan Doctrine" (Part I)

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[Report on discussion of "Issues of War and Peace in Central America" held in *LATINSKAYA AMERIKA* news center in Mexico City: first three paragraphs are *LATINSKAYA AMERIKA* introduction]

[Text] After the change of administrations in the White House, political scientists began to wonder what would become of Reaganism after Reagan. The Republican victory indicates that the "Reagan legacy," possibly with some modification, will continue having a considerable influence on Washington's foreign policy in the future. For this reason, a detailed analysis of the Reagan administration's 8 years of foreign policy practices is still relevant.

A roundtable discussion of "Issues of War and Peace in Central America" was held in the *LATINSKAYA AMERIKA* news center in Mexico. The participants were Jorge Chavat, coordinator of the Economic Research and Education Center (CIDE) International Relations Research Program; Rodrigo Joubert, coordinator of the CIDE Central American Research Program; Jose Miguel Insulza, director of the CIDE Institute of U.S. Studies; Lilia Bermudez, staff member of the Latin American Research Center of the National Autonomous University of Mexico (UNAM); Alfredo Guerra-Borges, UNAM Economic Research Institute staffer; Romulo Caballeros, head of the Economic Development Division of the UN Economic Commission for Latin America (ECLA) in Mexico; Gilberto Castaneda, CIDE Central American Research Program staffer; Fausto

Estrada, staff member of the Socioeconomic Research Institute of Honduras; Jorge Turner, UNAM Latin American Studies Center coordinator for Central America and Panama (recently appointed ambassador from Panama to Mexico); Ruben Montedomico, head of the International Division of El DIA; Fernando Carmona, UNAM Economic Research Institute staffer; and Anatoliy Borovkov, *LATINSKAYA AMERIKA* correspondent in Mexico and Central America.

We have summarized the statements of the roundtable participants for our readers.

A.N. Borovkov: The events which have taken place since the Esquipulas- II agreement was signed testify that the situation in Central America is still tense. It is the common opinion that the future of all Latin America is at stake in this key region today. The future relations of all Latin American countries with the United States will also depend on how the Central American conflict is resolved.

Under these conditions, the efforts of the Contadora Group and Support Group and the Esquipulas process seem particularly important. The latest tendencies and nuances in U.S. policy in the subregion require thorough investigation. The possible development of events in connection with the change of administrations in Washington also has to be taken into account.

Jorge Chavat: I would like to give you a general description of the Contadora process. The conditions under which the group came into being were quite different, in my opinion, from today's. In the beginning of the 1980's the press felt that direct intervention was quite probable. The possibility of conflicts between the Central American countries themselves, especially Honduras and Nicaragua, was not excluded either.

Through the years the assessment of the situation changed as obstacles appeared to block U.S. aggressive plans and new factors began influencing the situation. Understandably, the prospects and objectives of the Contadora Group also changed. It became less active at one point, and this is quite understandable: A Central American mechanism was to take the group's place.

One of the problems in the Contadora process was the effort to have the settlement documents signed by a specific date. This gave rise to numerous difficulties which eventually exhausted the potential of the Contadora Group. There was also a fundamental problem: It is obvious, after all, that the settlement of a conflict presupposes some kind of intervention; how could this be reconciled with the principle of non- intervention, the principle by which the mediators, or at least Mexico, were guided?

It is interesting that the exhaustion of the group's potential was accompanied by changes in the Central American countries themselves: The Cerezo government took charge in Guatemala, and the Sandinista leadership has demonstrated more willingness to negotiate in the last 2

years. A Central American mechanism made its appearance on the political stage at the end of 1985; this would have been absolutely unimaginable just a couple of years earlier! It was precisely then that the interruptions in the Contadora Group's activity began. Now there is the prospect of alternative mechanisms. I see nothing bad in this evolution, because one of the main goals of the Contadora Group was the inclusion of Central American countries in the negotiation process, and this goal is being achieved.

Rodrigo Joubert: The appearance of the Contadora Group and then the Support Group marked the beginning of the development of the "Latin American Initiative," which has invariably implemented a strategy of negotiation, dialogue, and peace, based on the principles of international law, national self-determination, and respect for sovereignty. This strategy was the opposite of the hegemonic strategy of the Reagan administration, which saw military force as an effective means of attaining its foreign policy goals.

The Reagan administration's strategic goal in the subregion was the restoration of U.S. hegemony and the neutralization and suppression of the political and social groups criticizing the existing sociopolitical order and rejecting Central America's dependence on the United States. Reagan's primary objective was the overthrow of the Sandinista government and the suppression of the rebel movements in El Salvador and Guatemala. This policy was part of the policy of so-called low-intensity wars, which represents, in the opinion of Costa Rican researcher G. Sachse-Fernandez, nothing other than direct intervention.

Therefore, what we are dealing with is a constant struggle between two strategies—of peace and war.

The latter was implemented by Washington with the aid of economic (financing, non-refundable aid, and the lifting of customs restrictions), political, and ideological measures. One was the creation of the Tegucigalpa bloc, consisting of Costa Rica, Honduras, and El Salvador and directed against Nicaragua, in the 1982-1986 period. This bloc was the main obstacle to the signing of a peace act and the conclusion of the political agreements the Contadora Group was promoting for 5 years.

Several events with a considerable effect on the evolution of the situation in the subregion took place during the period between Esquipulas-I (May 1986) and Esquipulas-II (August 1987). They included the weakening of Reagan administration pressure as a result of the "Iran-contra" scandal. Other contributing factors were the crisis in the Nicaraguan counter-revolutionary camp; the stagnation in the Contadora Group's activity, especially after the beginning of 1987, when the foreign ministers of the countries belonging to the Contadora Group and the Support Group effectively admitted their helplessness due to the lack of political will to negotiate a peace on the part of the Central American governments; the military and politico-diplomatic offensive launched by

the Sandinista government, the success of which was demonstrated most clearly in the military defeats suffered by "national democratic forces."

Why was the Reagan administration so interested in subverting the dialogue between the Central Americans within the framework of the Contadora process, Esquipulas, etc.? The answer is obvious: because the United States does not want to allow any national or regional processes that might counteract its strategy of overthrowing and destroying the Nicaraguan government or that might create the necessary conditions for autonomy in the region and thereby undermine the hegemonic position of the United States.

Esquipulas-II was a positive move in the process of establishing peace in Central America primarily because it filled the vacuum in the efforts to conduct negotiations, which was beginning to look menacing, and because it reduced the threat of the notorious "low-intensity wars" that was hanging over the people of Central America.

There is no question that Reagan learned something from Esquipulas-II. The trips members of his administration took and the pressure they exerted prior to the meeting were another attempt to put an end to this "dialogue-obstacle." They hoped to bury this diplomatic forum primarily with the aid of Jose Azcona and Napoleon Duarte. "I will not be anyone's pimp..." the latter said. "The hour of reckoning is at hand for Nicaragua." President Arias remarked: "There are too many people telling us what we should and should not do." Vinicio Cerezo said, in reference to the threat of a coup d'état, that there were serious limits on his activity and participation.

In accordance with the Esquipulas-III agreements, which will be implemented "immediately, completely, and unconditionally," without any reservations or snags, Honduras promised to expel the contras right away. Guatemala and El Salvador were supposed to make more vigorous efforts to negotiate a cease-fire with the partisans because they had made virtually no progress in this matter and even less in the matter of democratization.

The exclusion of the Contadora Group and Support Group from the control and verification operations was a severe blow even for Arias, because it was precisely this group of countries that did the most to secure autonomous action in spite of U.S. pressure; it is true that Arias himself always wanted to "de-Contadorize" the conferences in Esquipulas.

The international commission for verification and observation was replaced by an executive commission responsible for carrying out the agreements. It is impossible to judge and be judged at the same time. The executive commission is a good thing because the foreign ministers in the region are not the best people to verify the continuation of dialogue, the cease-fire, and the lifting of the state of emergency. The "Central-Americanization" of the talks is highly improbable in



light of the obvious success of Reagan administration pressure tactics. In this connection, Bruce Bagley, a researcher from the University of Miami, said that "the fact that the Central Americans—beginning with the Arias plan and especially in Esquipulas-III—started playing the main role in these events instead of the Contadora Group has created a situation favorable to U.S. interests. With his plan, Oscar Arias is taking charge of the entire matter, and the Central Americans are in the United States' good graces."

Many factors contributed to the relaxation of tension, the talks, and the dialogue, but the main one, without any doubt, was the Sandinistas' flexibility and desire for peace; another factor was the conciliatory treatment of the Nicaraguan Government by Oscar Arias and the American Democrats. After the conference Costa Rican Foreign Minister R. Madrigal Nieto, stubbornly laying on pressure, said: "The only thing left for us to do is to plead with Nicaragua to institute fundamental reforms." This naturally makes us wonder how many concessions Nicaragua is expected to make. Why was Arias so indulgent when Azcona and Duarte failed to keep their promises and so inflexible in his treatment of Nicaragua?

Jose Miguel Insulza: In my opinion, although "external" officials can make policy independently of the United States, they are nevertheless bound by certain limits and must strive to keep their policy in Central America from causing excessive conflicts with the United States. I am referring not only to the European Economic Community, but also to the socialist camp and the Latin American countries. On the other hand, if we examine American policy in recent years, it is obvious that the United States is not particularly disturbed by the possibility of a confrontation with anyone else over its policy in Central America, which it conducts in opposition to the opinions of all these groups and world public opinion, or at least this was the case in Reagan's time.

I feel that we have to distinguish between certain levels in our analysis of Reagan's policy in Central America. I draw a distinction between so-called general goals and narrow party, or factional, political goals.

No one in the American Congress, for example, would deny what Rodrigo Joubert defined as the chief goal of the United States—the domination of the region. Hegemony can be established through puppet governments, governments more or less committed to the United States, neutral governments which do not bother the United States, or even a leftist government, as one Democratic candidate for the presidency said, as long as its foreign policy is not aggressive and it has no offensive weapons. These are extremely meaningful nuances, but they do not refute the fact that the United States' main goal is to preserve its influence and hegemony. In Washington's geopolitical calculations, the region known as the "fourth sphere" (Canada, Mexico, the United States, Central America, and the Caribbean) is regarded as a zone of vital importance to U.S. security.

In addition to these general goals, there are narrow party or factional goals. They are the ones which cause dissension because there are substantial differences in methods of conducting policy. One extremely important distinction, which led to a crisis in the 1980's as a result of the situation in Latin America and in the Philippines and other countries, is the degree of compatibility between democratic goals and hegemonic goals. There have always been people in the United States who have asserted that the preservation of democracy, the consolidation of democratic forces in each country, and so forth are the best "business" for the United States, but others say that this is a secondary matter and that the main concerns should be supremacy, dominion, hegemony, etc.

There are arguments between those who assign exceptional importance to Central America within the framework of global strategic confrontation and those who are willing to view these events as a regional conflict providing no pretext whatsoever for the disruption of the global balance.

Another level of narrow party or factional disagreements concerns the post-Vietnam discussions of the use of force, military intervention, and the search for peaceful solutions. On this level the Reagan administration took a stand which was quite obviously dictated by narrow party considerations.

To a certain extent, the Contadora process promoted the unification of liberal forces within the U.S. political system. First a group of American congressmen issued a joint statement in support of the Contadora Group. Then the same thing happened with the Arias plan, which became a platform for negotiations with the United States and also a factor uniting U.S. forces disagreeing with Reagan's policy.

From this vantage point, what happened in the last months of the Reagan administration seems paradoxical. Never before had such vigorous efforts been made to secure permanent U.S. government interests. A comparison of the Franco-Mexican declaration of 1981 with the first statements of the Contadora Group or the revised final act of the Contadora Group reveals extremely noticeable changes of emphasis. A comparison with Esquipulas reveals even more substantial ones. In 1981 the Carter administration would have been eager to sign the revised act of the Contadora Group because it covered all of Central America's needs. In 1987, however, there was an administration which felt that this was not enough. The goals of the disallowance of foreign bases, the non-proliferation of revolutionary processes, and pledges to pursue a policy of neutrality and to keep only defensive weapons are expressed in the agreements. Consequently, from the standpoint of the general goals which are defined as national interests everywhere in the United States, U.S. policy did "move ahead" in Central America, especially in those years.

But Reagan policy as such, or narrow party objectives, or, if you like, the factional objectives of the Reagan administration won only a partial victory (the main thing was that the contras were turned into a permanent internal political factor in the region). We must not forget, however, that the Reagan administration regarded Central America as a touchstone, a place where it had to prove that tough strategy could have a "taming" effect.

From the standpoint of narrow party objectives, Reagan was unsuccessful. Furthermore, with his stubborn insistence on the attainment of these factional political goals, he aroused opposition in the United States and Latin America, which could have been avoided because, I repeat, the countries of the Contadora Group, the Support Group, and the Central Americans were willing to guarantee U.S. "interests." It was Reagan administration policy they did not like. The important result was that the Contadora process, which came into being as a purely Central American phenomenon for purely immediate purposes, became the embryo of a new relationship between the United States and Latin America. This result, which the Americans found objectionable in 1981, now extends to the entire region as the direct consequence of the Reagan administration's absurd policy in Central America.

What are the longer-range prospects now that new elections have been held in the United States? This will depend on the new American administration's evaluation of the progress to date in the attainment of general goals. The Democrats, and possibly some Republicans, place political factors above military ones. I feel that this is the most probable U.S. policy. It will consist in more vigorous political efforts to exhaust the Sandinista revolution and will not exclude even the possibility of internal unrest and coups. In view of the state of the Nicaraguan economy and the country's terrible difficulties with supplies, production, and so forth, many American analysts believe that this could cause a breach in the internal front and could thereby give the political process a more moderate nature from within. At worst, if Nicaragua turns out to be incapable of withstanding this pressure, the United States will have attained one of its minimum strategic goals, namely the external neutralization of the revolutionary process.

Lilia Bermudez Torrez: The year of 1988 was marked by the failure of Reagan's attempts to continue giving the "freedom fighters" military-financial assistance. The decision the Democratic majority in the American Congress made became another link in the chain of unexpected political events which began at the end of 1986 with the "Iran-contra" scandal, continued through the signing of the Esquipulas-II accords, and ended (the first phase) with the ratification of these agreements and the assumption of commitments at the conference in San Jose to observe them unconditionally.

It is important to answer a question these political events raised: To what extent did Reagan's strategic doctrine of

low-intensity wars or conflicts "suffer"? In other words, do the debates aroused by these events reveal any alternatives differing fundamentally from Reagan's strategic concept?

Before answering this question, we should define this doctrine so that we can determine which of its aspects suffered and which did not. A low-intensity war is a protracted war of attrition of a global nature, in which an attack by one's own troops is regarded as the last resort. Because of a combination of military, political, economic, psychological, and intelligence factors and the factor of public control, this alternative regards the armed forces as allies, and counter-revolutionary rebel movements with the proper support as a unique bridgehead, in the resolution of a conflict without any escalation that might force the decision to attack. Victory is viewed not as a purely military success, but as the attainment of political goals.

The concept of low-intensity wars has three main pivotal points: counter-insurgency in countries where there is a clear threat to the status quo (El Salvador and Guatemala) or a potential threat, even if only in embryonic form (Honduras); the reversal of the processes which violated the earlier status quo (Nicaragua, Afghanistan, Angola, Cambodia, and Ethiopia); and a struggle against "terrorism" combined with a struggle against the illegal drug trade, in which national liberation movements or government perceived as hostile entities are named as the perpetrators of both evils.

The military aspect is only part of the concept of low-intensity wars because it always emphasizes the use of political leverage. This new strategic concept rejecting exclusively military decisions was publicly announced for the first time—as far as the first two pivotal points are concerned—in the Kissinger report. This document won the unanimous support of both parties with regard to policy in the region, and this was reinforced by the Democrats' refusal to offer the Nicaraguan counter-revolution assistance, first in the case of "humane" assistance and then in the case of overtly military aid.

There is no question that the policy of reversing revolutionary processes (also known as the Reagan doctrine) suffered most as a result of the "Iran-contra" scandal, and later as a result of the Esquipulas-II accords. The military aspect (the funding of the contras and, consequently, of war) was never an isolated part of strategic and tactical plans but, as we saw, was combined with other means of destabilization: political measures to discredit the Sandinista government and legalize the opposition and the contras; economic measures to smother the country and prove the supposed incompetence of the government with the aid of a trade blockade and with overt warfare in which elements of the infrastructure, power engineering facilities, cooperatives, schools, and other such objects are chosen as the favorite targets of attack; psychological measures to arouse public sympathy for the opposition, as well as the sympathy of the international public by taking advantage of the

supposed "weak points" of the Sandinista government, created by the war and its effects.

There is no doubt whatsoever that the signing of the agreements in Esquipulas and the refusal to give the contras military assistance limited the global realization of the Reagan doctrine by damaging its military levers. Nevertheless, the political aspect is still of special importance and significance. The creation, reinforcement, and possible financing of forces representing an alternative to the Sandinista government will still depend on the goals of this pivotal point of the concept of low-intensity wars, namely the overthrow of the current Sandinista government.

There were fewer changes of a practical and theoretical nature in the pivotal point of counter-insurgency in El Salvador and Guatemala. This was primarily due to the absence of alternative proposals in U.S. corridors of power with regard to the issue of civil wars. Just as in the case of the previous pivotal point, the theory of counter-insurgency is of a global nature, in which the military aspect (the creation of an allied army with an irregular structure) is combined with political (the recognition of the government as legal and of rebel or opposition organizations as illegal), economic (development and security aid), and psychological (public control) measures.

The Salvadoran army's inability to win a military victory over the rebels and to strengthen rightwing forces to the point of a victory in presidential elections is another one of the failures of Reagan policy.

The Esquipulas agreements created an opportunity for internal political dialogue and for the return of opposition leaders to El Salvador, and this was unquestionably the result of the strength and pressure of the popular movement. Differences in ideas about the conditions and contents of the dialogue, however, are closing the door to the negotiating hall, so the strategy of counter-insurgency can be expected to continue working in the future.

Alfredo Guerra-Borges: The previous speakers' analysis of political issues is extremely interesting. I feel that the economic side of Reagan's strategy in the region is equally important. I will briefly discuss this matter, underscoring some of the distinguishing features of the political and economic situation in the Central American Common Market in the past decade.

First I want to remind you that five Central American countries had negative indicators of economic growth, in terms of the real GDP, in 1982. The main reason was the balance of payments with industrially developed Western countries, but there is no question that other factors—political crises in several countries in the region—also played a role. A civil war broke out in Nicaragua in 1978 and ended with the triumph of the revolution in 1979. A civil war has been going on in El Salvador since the beginning of the current decade and is having an adverse effect on its production potential,

infrastructure, and exports to the countries of the CACM and the rest of the world. Guatemala also experienced an acute political crisis at the turn of the decade and suffered, just as El Salvador, a massive outflow of private capital and had to increase government expenditures on defense and security. We should remember that when the CACM was established, Guatemala and El Salvador accounted for most of the trade between Central American countries. Costa Rica and Honduras also experienced a substantial drain of private capital because of a combination of economic and political crises.

As a result of this, the outflow of foreign currency already exceeded incoming receipts in these five countries in 1981. In other words, by 1988 all five countries were already unable to fulfill their foreign economic obligations. This necessitated restrictions on imports, including those from other CACM countries, and led to the accumulation of sizable debts within this market. The most obvious signs of the increasing severity of conditions in the CACM were the closure of industrial enterprises, the under-utilization of existing capacities, the curtailment of investment, and the rise of unemployment and underemployment.

Predictably, Nicaragua had to carry the heaviest burden. The reduction of exports, especially in connection with the U.S. economic blockade, made it almost completely insolvent. Suffice it to say that Nicaragua accounted for 68 percent of the total debts accumulated in trade in the CACM on 31 December 1985. As a result of this, sales of Central American goods to Nicaragua were virtually suspended. In 1986 the country was able to import goods from other CACM countries for the negligible sum of 9.6 million dollars. An equally impressive point is that Nicaragua was unable to export its products to CACM countries as a result of the war and of the lack of currency for imported raw materials and goods for production purposes.

Can the Central American Common Market be revived? Is this revival necessary to the countries in the region? We can answer in the affirmative, but first we have to mention a few fundamental conditions.

First of all, until there is peace in the region there is no point in even discussing the objective possibility of the restoration of the CACM. In the current atmosphere of pervasive tension no country is willing to assume sweeping commitments; in other words, no country is likely to take measures to reorganize the CACM and to modernize its structure for its adaptation to present conditions, which differ so much from the conditions at the time of its establishment in June 1958.

Second, the United States has persistently subverted any attempt to reorganize the CACM.

Third, until the solvency of the Central American countries is restored, trade within the market cannot be revived. This presupposes the refinancing of foreign debts, the restoration of export prices, the lifting of the U.S. economic blockade of Nicaragua, the augmentation



of economic and financial assistance from the international community, and other measures.

This certainly does not mean that nothing can be done today. Above all, it is amazing that the CACM still exists in spite of the most severe economic and political upheavals of our century, and that the economic relationships created by the integration process survived all of these ordeals and may have been weakened but were not severed, as might have been the case if these ties had been more tenuous.

In an atmosphere of peace in the region, economic integration will once again display the chief merits it demonstrated to the world so vividly in the last three decades, namely the ability of the common market to serve as the "natural environment" of regional industrial development and as the region's only way of asserting itself in the community of nations, where the influence of various power centers is so strong.

Promising signs are already apparent. The signing of the agreement on the creation of a Central American parliament is one of these because this agreement endows the parliament with specific functions with regard to the CACM; other signs are the enactment of the agreements with the EEC and the recent UN General Assembly resolution on the promotion of regional economic restoration. One thing is certain: If the future of the integration process had depended on the Central Americans' ability to surmount internal causes of crisis and on decisions made freely by the Central Americans, there would have been no requiem for integration.

*To be continued*

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### Political, Economic Situation in Peru

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[Article by P.P. Yakovlev (Lima-Puno-Pucallpa-Iquitos-Cuzco-Buenos Aires): "Peru Between the Past and the Future"]

[Text] The impressive success of democratic forces in the 1985 elections<sup>1</sup> marked the beginning of changes in the balance of political power in Peru and the start of a new phase in the country's development. This is a complex phase, contradictory in many respects, and it is distinguished by the unprecedented politicizing of social life, acute conflicts between opposing forces, and the growth of mass movements. A fundamental important feature of the processes in Peru is the stronger desire of large social groups to strengthen national sovereignty and democratic institutions, modernize the economy, and institute profound reforms in the interest of the majority of the population. In essence, a struggle is being launched for a better future for the country. There are, however, several

serious obstacles along this road, both inherited ones and ones engendered by the contradictions of the present day.

While I was working on assignment in Peru, I gained first-hand knowledge of various facets of the Peruvian people's life and learned to look behind seemingly ordinary events and developments and see the intricate knots of Peru's current problems.

### The Economy and the Calculator

Glib young men carrying pocket calculators attract the attention of passersby on some of the main streets in Lima and other big cities. They show their calculators to passing motorists and pedestrians. Some stop to exchange a few words with the young men. "What a strange way of selling calculators!" exclaimed a fellow passenger, one of my countrymen who had just arrived in Peru for the first time. Of course, they were not selling calculators. They were selling and buying a completely different commodity—American dollars. The currency speculators had armed themselves with modern technology, either because they did not trust their own mathematical abilities or simply for the sake of convenience, and had thereby updated the traditional image of the Peruvian black-market money-changer. The image had changed, but the purpose was the same: In addition to the official exchange rate of the dollar in relation to the Peruvian unit of currency, the inti, there is a "parallel" exchange rate which is governed by natural market forces rather than by government decree. The "parallel" exchange rate is naturally much higher than the official rate, and this is the reason why the holders of "greenbacks" would rather sell them on the black market than in banks. In this way, the innocuous calculator has become something like the business card of the currency speculator.

The existence of the currency black market (and out in the open where everyone can see it) is undermining the country's "financial health" and is one of the factors complicating the pursuit of Aprista economic policy.

The government of A. Garcia has encountered many economic difficulties. From 1983 to 1985, for example, the Peruvian GDP decreased by 13 percent, including a drop of 8 percent in 1984 and of 30 percent in 1985. Internal capital investment volume has decreased, inflation has reached 300 percent a year, and real wages were cut by 30 percent (in comparison with 1975).<sup>2</sup>

The "heretical"—as the Peruvians describe it—economic policy of the PAP [Peruvian Aprista Party] was based on the assumption that the under-utilization of production capacities in national industry meant that economic recovery would necessitate the priority augmentation of accumulations rather than new capital investments. This was the reason for such fundamental elements of the Garcia government's economic policy as the price freeze, the reduction of the cost of bank credit, and the creation of new jobs. This was accompanied by

attempts to establish control over currency operations, reduce the fiscal deficit, and heighten the effectiveness of state enterprises.

The government's credit and price controls and its limits on interest payments on the foreign debt revived the national economy<sup>3</sup> (mainly as a result of increased total demand) and curbed inflation, the rate of which declined to 63 percent in 1986. The first signs of a pre-crisis situation were already apparent, however, in the middle of 1987: Capital investments in the production sphere decreased, the state budget deficit grew, the GDP growth rate declined (almost no rise in this indicator is anticipated in 1988), and the inflationary spiral crept upward—to 115 percent in 1987 and 250-300 percent in 1988, which had an adverse effect on the financial status of broad strata of the laboring public and aroused public protests and discontent. The situation did not change for the better even when the government resorted to the nationalization of banks.<sup>4</sup> There was a "breach of trust" between the government and private capital, both foreign and local. Besides this, there was the negative factor of the reduction of 12 percent in Peruvian exports in 1986 and 1987, resulting in a substantial negative balance (444 million dollars in 1987) in foreign trade and an abrupt decrease—to a critically low level—in Peru's currency reserves.<sup>5</sup>

The Garcia government took some steps in spring and summer 1988 to stabilize the economy, revive business activity, and reduce inflation. In particular, it announced plans for the transfer of 40 state enterprises to private ownership and signed an agreement with the Shell Company on the right to exploit a large gas deposit in Cuzco. Besides this, it raised food and fuel prices, the rates of services performed by state enterprises, and taxes and made the preparations for the substantial devaluation of the inti in relation to the dollar. Although these measures were accompanied by a slight increase in wages, they lowered the standard of living of most of the population and were harshly criticized by opposition forces. Besides this, the steps the government took were not enough to stimulate activity in the private sector and stop inflation. For this reason, additional measures were taken. To encourage accumulation, for example, the government raised the bank interest rate, because the low official rate had stimulated speculative financial operations on the black market. This (just as the attempts to eliminate the "parallel" exchange rate of the dollar and to improve the financial health of the country by means of the dramatic devaluation of the inti) pleased private Peruvian capital because it felt able to influence economic policymaking more than it ever had before.

The Garcia government's attempts to restore relations with the IMF and to obtain new credits from private foreign banks with its help could also serve as an example of the current changes. This could change Peru's position on foreign debts in general.<sup>6</sup> Its urgent need for financial resources from abroad has made Peru the target of stronger pressure by the IMF and creditor banks.

The accumulation of economic difficulties forced the government to make other adjustments in its economic policy. In particular, it had to reduce imports and impose additional restrictions on currency operations. Measures are being planned and carried out, but this has not reduced the number of glib young men carrying calculators....

### The "Cocaine State" Within a State

"Whenever you feel hungry or thirsty or whenever you are dying of fatigue, chew the leaves of this plant and your body will regain its strength." This is what ancient Indian legends said about the miraculous powers of coca, a plant which was known in Peru for 5,000 years and only began performing a completely different function, as the raw material for narcotic drugs, in the last few decades. Through the efforts of the international Mafia of drug producers and dealers, the country was turned into the world's largest coca-growing center in the 1970's and 1980's.

In contrast to the sinking "legal" economy in Peru, the "illegal" economy, based on the growing of coca and the production and sale of cocaine, does not appear to be experiencing any particular difficulties. On the contrary, the "coca economy" is flourishing. According to available estimates (which we must assume are far from complete) coca is grown on at least 200,000 hectares in the Peruvian rain forests, and the harvest from these hectares can exceed 300,000 tons of leaves. Primary processing produces 3,000 tons of the substance from which the cocaine hydrochloride is derived, the market value of which ranges from 76 billion to 110 billion dollars in the United States.<sup>7</sup> It goes without saying that only a relatively small part of this gigantic sum (around 2.5 billion dollars a year) "settles" in Peru, but even this amount exceeds all of the country's income from "legal" exports, and this puts exceptionally strong levers of economic and political influence in the Mafia's hands.

The "cocaine state" in Peru has no clearly defined geographical boundaries, but its nerve center is known to be the department of San Martin, from which the tentacles of the drug trade reach into the Amazon and other parts of the country. Small and unimpressive settlements (with a population of 5,000 or 6,000) sprang up like mushrooms in the places where coca was grown in the 1970's. In spite of their size and appearance, however, branches of all of the main Peruvian banks can be found in each. Operations with drug dollars provide them with a sizable income, and the earnings of those connected with the growing and sale of coca are much higher than the national average. Furthermore, many of the inhabitants of these communities in the most diverse professions—civil servants, rural schoolteachers, physicians, pharmacists, shopkeepers, and engineers—are engaged in the production of the narcotic poison along with the peasants. "Everyone here is a link in the chain of the drug trade, and anyone who objects to this must either pack his bags or prepare to die," a Peruvian journalist told me.

The Mafia has entangled thousands and thousands of Peruvians in its nets, bribing or eliminating those who stand in its way. Armed gangs of "drug traffickers" (or dealers) have established a reign of terror in the coca-growing regions and are the real rulers there. The situation has been complicated by the anti-governmental combat operations leftwing extremist organizations, frequently operating in the "cocaine state," launched in Peru in the 1980's.

### The Bloody Trail of the "Shining Path"

A man with a bounty of 4 million inti on his head, the target of an unsuccessful nationwide manhunt for several years, was arrested at dawn on 12 June 1988 in a building on one of Lima's main streets—Manuel Cuadro. This was 43-year-old Osman Morote Barionuevo ("Comrade Remigio"), who was thought to be the second-in-command, after "Chairman Gonzalo,"<sup>8</sup> in Sendero Luminoso ("Shining Path") and its main military leader.

Morote, the son of a chancellor of Ayacucho University, organized an underground combat training school after a trip to the PRC in 1975 and then led the armed struggle of the Senderistas along with A. Guzman. It was learned after Morote's arrest that he had arrived in Lima to perform a series of terrorist acts with which Sendero Luminoso planned to commemorate the second anniversary of the riots in three Lima prisons by members of the movement who had been incarcerated there. The rioting took place on 19 June 1986 and was brutally suppressed by the authorities. Sendero declared this date a day of "heroism" and vowed to kill 10 "reactionary watchdogs," which is what the Senderistas call civil servants, for each comrade who had lost his life in the riots (around 300 in all). They found 47 handwritten notebooks with plans for attacks on government establishments in Lima, including the presidential palace and the palace of justice, in the place where Morote was arrested. Other plans envisaged terrorist acts in virtually all parts of the country.

The arrest of Morote and the seizure of these documents were a severe blow to Sendero Luminoso and wrecked many of its plans,<sup>9</sup> but they did not solve the problem of terrorism in Peru, which permeated the fabric of national politics in the 1980's and became a common and tragic part of the daily life of the population.

May 1988 marked the eighth year of the militant actions of Sendero Luminoso, the largest anti-government extremist organization in Peru, but by no means the only one. During these years 13,000 civilians and around 1,700 soldiers and policemen were killed (turning 30,000 children into orphans), 389 power transmission poles and more than 60 bridges were blown up, and around 1,500 government and state establishments were assaulted and destroyed. The material damages caused by Sendero Luminoso are estimated at 5.5 billion dollars. Losses in some years were equivalent to 4-6 percent of Peru's GDP.<sup>10</sup>

The geographic boundaries of the Senderista movement's actions have recently been expanded considerably, extending these actions to most of the departments in the country, although Ayacucho is still its main zone of activity. According to available estimates, there are more than 5,000 well-armed fighters in Sendero Luminoso's combat units. They represent a serious force and are capable of employing the tactics of partisan warfare to oppose regular Peruvian army units successfully. The Garcia government has been increasingly disturbed by the mounting adverse effects of Senderista actions on national economic development. In regions of heightened Senderista activity, normal economic operations are being disrupted and subverted, production is declining, trade is being reduced, and businessmen are refusing to invest capital. All of this could cause economic chaos and have serious sociopolitical consequences.

We cannot say that the government has exhausted all of the military means of solving the "Senderista problem." The inadequacy of "purely coercive methods" in the struggle against the Senderistas is becoming more evident with each year, especially in view of the fact that certain groups in the army have an interest in the protraction of military operations and the preservation of tension because of the tangible financial benefits (particularly the salary increments for combat).

The only way of putting an end to Sendero Luminoso will entail the political isolation of the movement, depriving it of its social base. This will require substantial reforms in the main regions of Senderista activity and in the country as a whole. Is the PAP government prepared to take this kind of step? The Aprista leaders' statements on terrorism do not reveal any fundamentally new approaches. In essence, they suggest the improvement of counter-insurgency tactics, the creation of a single coordinating center for these operations, the more extensive use of "foreign specialists" (primarily from the United States and Israel), and so forth.

A new move in the struggle against Sendero Luminoso, judging by reports in the Peruvian press, might be the invitation of a special contingent of U.S. troops to Peru (following Bolivia's example).<sup>11</sup> The pretext would be the fact that Sendero Luminoso is operating in the same regions where drug producers and dealers are particularly active. The special services in the United States and certain groups in Peru have been trying to "link" the Senderistas with the drug trade for a long time. There is no direct evidence of this connection, but the "geographic coincidence" of the activities of both does exist and is being used to substantiate the need for participation by special American Army subunits in the operations against Sendero Luminoso. It goes without saying that democratic circles in Peru are justifiably worried about these plans, but they might be carried out anyway, because the PAP government is extremely interested in perceptible success in the struggle against the rebels. Besides this, the appeal for a "national consensus in the struggle against terrorism," which was declared the



"main scourge of Peruvian democracy," could also serve as a political propaganda cover for the possible invitation of American troops.

### The Mysterious Masters of the Floating Islands

Our motorboat cleaved the calm surface of Lake Titicaca high in the mountains (3,812 meters above sea level) and approached a peculiar structure: a floating platform made of a local type of reed, totoro, and covered with huts made of the same material. It was Tribuna, one of the largest of the approximately 50 islands floating on the lake and inhabited by the mysterious Uros Indians, who have been living in this extraordinary way from time immemorial. The Uros themselves say that their ancestors were already living on the earth "when the stars appeared in the sky."

After we landed on the island, we were literally attacked by children asking us to buy their cheap souvenirs or simply begging us to give them some money. To calm them down, we did both. Once this commotion had died down, we could take a look around the island in peace and talk to its adult inhabitants. The first person I spoke with, Romualdo Colla, was the president of the island and the owner of the only store, a shop selling the vital necessities of the Indians' life.

Colla was eager to talk about his island. Its permanent residents are 27 families (118 people). The men fish and the women produce handicrafts (small rugs and model boats made of reed) and do simple household chores. Their main source of income is the sale of souvenirs to tourists, but there is never enough money, and the island receives almost no financial assistance from the government, the president told me, with a soulful expression on his face. Other methods have to be found to compensate, at least partially, for the inadequate concern of Peruvian government institutions for the Uros. In spite of their seemingly simple way of life, the Uros have many problems, and not all of them are financial. Above all, the state of their island is a matter of constant concern. A reed platform lasts 5 years, a hut made of the same material lasts 2 years, and a boat lasts only 1 year. Therefore, everything always has to be either renovated or rebuilt.

"Do you have no wish to live on land?" I asked the president of Tribuna.

"We go there sometimes to celebrate our holidays together and to bury our dead. Of course, there are many good things on land and the life there is much more varied, but the Uros are always drawn to their homes, to our islands. Everything here is more familiar and more comfortable."

The Uros, who are ethnically related to one of the largest Indian tribes, the Aymara, do not regard themselves as ordinary people. They are certain, for example, that their blood is black and that this is why they do not drown and why they can endure the constant damp and cold of the winter nights. These are just myths, however, because

the Uros are certainly not the picture of health. They are extremely short and they suffer from rheumatism and many other serious illnesses because they receive almost no medical care. It is regrettable that this unique and small ethnic group (there are no more than 400 Uros in all), which is mysterious in many respects, is not only unable to secure the financial support it needs but has also never been the object of serious historical and ethnographic studies. In essence, many of the surprising features of the Uros way of life have never been analyzed or explained.

On the small island of Foroba (not a floating island, but a real one), not far from Tribuna, there is a bird museum with exhibits of several dozen stuffed birds indigenous to Lake Titicaca. There is also another exhibit that would not be expected in this kind of museum—an old rusty hunting rifle. The symbolism is obvious: Weapons which kill natural life forms have belonged in a museum for a long time. The flora and fauna of Titicaca, one of the most interesting lakes in the world, need protection, but the Uros, the ancient masters of the floating islands, need it even more.

### The Sacred Places of the Incas

The train consisting of a few yellow cars travels along an extraordinary route. It only has to go around 100 kilometers, but to do this it has to change directions four times (moving forward and then backward) and climb to an altitude of 3,600 meters above sea level. It runs from Cuzco, the former capital of the Indian state of Tahuantinsuyu, to the "lost" fortress city of Machu Picchu.

Machu Picchu ("Old Mountain") is a city with an amazing history, a city of unsolved mysteries. For more than 300 years it was "lost," and no one even suspected it existed. The last inhabitants of Machu Picchu were probably dead by the beginning of the 17th century, but it was not "discovered" by American scientist Hiram Bingham until 24 July 1911. The digging and clearing work he supervised from 1911 to 1915 revealed the hundreds of stone buildings and other structures (steps, passageways, caves, etc.) built into the mountain and making up a well-fortified fortress-city, the origins and purpose of which are still being debated today.<sup>12</sup>

Some scientists believe that Machu Picchu was built in pre-Inca times, while others date its construction back to the time when the Inca civilization was at its peak. According to the results of research, women made up 75 percent of the city's population, which suggests that Machu Picchu might have been the main dwelling place of the priestesses of the Sun God. There are also other possibilities. The arguments have never stopped, especially as new digs have unearthed additional surprises. Just recently, for example, a crypt was discovered, and experts believe that it was the burial place of the Inca Manco, the leader of the biggest Indian rebellion against the Spanish, which flared up in 1535 and went on for around 40 years.

Cuzco and its environs have become a veritable mecca for international tourists. Tourists from all over the world wander through the narrow streets of the ancient Inca capital, tour the ruins, buy the wares of Indian craftsmen, and attend concerts of folk music and dance. The income from the tourist trade is an important part of state treasury revenues, but it has also been threatened recently. The reason is the increasing violence and terrorism in the country. According to government data, one out of every ten tourists in Cuzco is attacked or robbed. The criminals are getting more and more brazen, a representative of a Peruvian tourist agency complained to me.

"You cannot imagine the kinds of things that are happening here. A taxi driver or a driver of a private vehicle who transports passengers for a fee will wait until a tourist's suitcases are locked in the trunk of the vehicle and will then race away, leaving the tourist standing on the street with nothing to call his own. And this is not that frightening. There are more serious incidents which have scared foreign tourist agencies so much that some are advising their clients not to go to Peru."

Obviously, this is creating a great deal of tension. In some parts of the country, including Cuzco, the general state of the economy depends on the "industry without smokestacks," as the tourist trade is called, because it provides thousands of Peruvians with jobs.

Peru's main difficulties, however, are caused by unresolved socioeconomic and ethnic problems, and my trip to Cuzco only reaffirmed this belief. Peru is an Indian country. The native population represents 49 percent of all the inhabitants of Peru. This is one of the highest indicators in Latin America (the figure is higher only in Bolivia and Guatemala).<sup>13</sup> The days of Spanish colonial dominion are long gone, but the Indian population of Peru still seems to be living outside modern civilization and is enjoying almost none of the benefits of economic, scientific, and technical progress. When you look into the faces of Indian passersby, dressed in national costumes and loaded down with crude wares, you find it hard to believe that these are the descendants of the ancient Incas who built a colossal empire and magnificent works of architecture. It is sad that the only things that many of the modern Indians have inherited from the Incas are their already archaic agricultural techniques and the philosophical tranquility of a people who have seen and experienced much in their lifetime.

In the marketplace in the small town of Pisac, around 30 kilometers from Cuzco, a doctor's voice could be heard on the loudspeaker, pleading with the Indians who were milling around in the square to vaccinate their children. A field medical center had been set up nearby, but there were no signs of life around it. The mistrust of the "white men" whose ancestors brought death and destruction to the sacred land of the Incas still exists.

When I walked through the streets of Cuzco in the evening on my way back to the hotel, I read the posters

and ads on the city's walls. A local film club was holding a retrospective of Sergei Eisenstein's films to commemorate the 90th anniversary of the outstanding Soviet director's birth. I went to the address printed in the ad, and within a few minutes I was talking to a group of young club members.

"What is it in Eisenstein's films that seems interesting and relevant to you?" I asked them.

"A great deal. Above all, his strong sense of patriotism and his amazing ability to portray the revolutionary fervor of the masses, whether in distant Russia or in the much closer and more familiar Mexico. We Peruvians who want to change our life for the better and to build a more just society in the ancient land of the Incas need this kind of art very much."

#### Target Date 1990

The many public opinion polls, televised political debates, speeches by candidates, rallies, and demonstrations all indicate that the preparations for the presidential election scheduled for 1990 have already begun in Peru. The first signs of vigorous campaign activity are having a strong effect on the situation in the country and are influencing the state of affairs in political parties and organizations.

According to available estimates, the leader of the UI coalition, former Mayor of Lima Alfonso Barrantes Langan, has the best chance of becoming the next president of Peru. The possible candidate of rightwing forces, famous writer Mario Vargas Llosa, and prominent PAP activist and former Chairman of the Council of Ministers Luis Alva Castro are trailing far behind him.<sup>14</sup>

Predictions of this kind worry the Aprista leadership, which must consider alternatives to L. Alva Castro. In this case, they can either nominate a new candidate or try to get A. Garcia re-elected. The latter option, however, would necessitate the amendment of the national constitution and is therefore encountering fairly widespread resistance in Peruvian political circles, including much of the PAP.

The difficulties caused by the pursuit of government policy and the dissatisfaction in the country with the Aprista government are indisputably introducing elements of insecurity into the PAP and are causing some of its members to leave the party. Furthermore, those who abandon APRA usually accuse the party leadership and A. Garcia personally of following the lead of "international communism." Several "dissidents" have complained about the deviations from the principles of the founder of APRA, Victor Raul Haya de la Torre, who was a "firm anticommunist."

The rumors about the "betrayal of Aprista principles" are also being spread vigorously by opponents of the PAP on the right. The conservative weekly OIGA, for example, reprinted V. Haya de la Torre's article "Why I Am Not a Communist," which he wrote in 1954.<sup>15</sup> The

weekly was simultaneously pursuing two goals: the internal erosion of the PAP and the instigation of additional disagreements between the Apristas and leftwing forces. It was the possibility of the convergence of the PAP and IU just before the 1990 election that rightwing parties viewed as the greatest threat to their own existence.

After suffering a defeat in the 1985 election, Peru's rightwing parties have gradually recovered their strength and united their ranks. The creation of the so-called Democratic Front, headed by M. Vargas Llosa (who founded the Freedom Movement, a rightwing organization, in 1987), former President of the country and leader of the Popular Action Party Fernando Belaunde Terry, and leader of the Popular Christian Party Luis Bedoya Reyes, at the beginning of this year was of considerable importance in this context.<sup>16</sup> Rightwing forces are now rallying round this front and are pointedly criticizing all aspects of the PAP government's policies. The front's spokesmen are constantly predicting "economic chaos," accuse the Aprista leadership of betraying national interests, and try (although without much success) to convince people that socioeconomic indicators were much higher in the country under bourgeois governments. The leaders of the Democratic Front, especially M. Vargas Llosa, have an ideology closely related to that of present-day capitalism's conservative "think tanks," such as the famous Heritage Foundation, and intend to put its "liberal" recipes to use if they should win the election (the policy of an "open door" to foreign capital, the dramatic contraction of the public sector's sphere of activity in the economy, etc.).

References to Chile's experience are a relatively new feature of the political propaganda of rightwing forces. This does not seem to be a coincidence. Certain groups are clearly making a serious attempt to convince the Peruvian public that the "Pinochet option" is not that bad and that it could serve as a way out of Peru's present socioeconomic difficulties. This is essentially a search for arguments in favor of a military coup to put a "strong government" in power. As many Peruvians told me, extremely dangerous tendencies of this kind should arouse the concern of democratic circles and motivate them to triple their efforts to preserve and strengthen the constitutional regime. The political consolidation of the IU, the unification of the parties and organizations making it up, and a balanced and constructive position with regard to the PAP government could be of decisive importance in this context.

At this time there are two main approaches to relations with the ruling party in the leftist camp (primarily within the IU coalition). The supporters of the first approach believe that if the IU should win the election in 1990, the leftwing government will encounter many of the same problems as the PAP and is unlikely to have a better chance of resolving them in a positive manner. The criticism of the Garcia government is being moderated with a view to this and to possible joint actions by Aprista and leftwing forces in the upcoming election. In

connection with this, another hypothetical combination is also being considered: the possibility that the IU candidate will win the presidential race but the PAP will win the majority of seats in the National Congress (or vice versa).

The advocates of the second approach believe that the IU can win a victory only on the wave of increasingly harsh criticism of the Garcia government, evolving into direct confrontation with the PAP. This approach presupposes the rejection of everything the government does, including its positive moves. There are even signs of an extremely dangerous tendency to "play up to" terrorist groups in the hope of winning the support of Sendero Luminoso and other organizations.

It is completely understandable that the gap between these two approaches is too wide to cross easily. This is one of the characteristic features and weaknesses of the IU, which is made up of extremely diverse currents and groups, and it is even possible that the differences between them could grow more pronounced.

It is difficult to say whether leftwing forces will be able to overcome these difficulties in the time remaining before the election (although attempts are being made and cannot be ignored). It is possible that new campaign coalitions will be formed and will win support for the IU from a higher percentage of members of middle strata and, what is particularly important, members of technocratic circles, the segment of the local bourgeoisie connected with national interests, and fairly broad military groups. This could lead to the establishment of something like a "national unity government." The next few months will demonstrate the validity of this kind of political plan in Peru's current situation.

There is every indication that Peru is living through a crucial period in its social development. Never in the country's history have leftwing forces had a better chance of achieving political leadership. The realization of these opportunities, however, will depend on their ability to overcome objective and subjective difficulties, surmount many obstacles, and deal with unsolved problems. The domestic political atmosphere in Peru is highly volatile and unpredictable.

#### Footnotes

1. A reminder that the election was won by the PAP and that its candidate, Alan Garcia Perez, became the president of the country. The "second majority" was won by the IU (United Left) coalition, while rightwing parties suffered a defeat.

2. EXPRESO. Buenos Aires, 1988, No 18, p 56.

3. The growth rate of Peru's GDP was 9.5 percent in 1986 and 7 percent in 1987, which was one of the highest indicators in Latin America—GENTE, Lima, 1988, No 640-641, p 46.

4. The nationalization affected 10 banks and also 6 finance and 17 insurance companies.



5. OIGA, Lima, 1988, No 379, p 35.
6. In 1987 Peru's foreign debt increased by almost 6 percent and exceeded 15.3 billion dollars—OIGA, 1988, No 374, p 28.
7. CLARIN, Buenos Aires, 8 May 1988.
8. This is what they call the founder and ideological leader of Sendero Luminoso, Abimael Guzman Reinoso, by analogy with Chairman Mao. He was severely ill and there was the suspicion that he was no longer among the living, but on 24 July 1988 EL DIARIO printed a lengthy interview with "Chairman Gonzalo," in which the Senderista leader announced that the "blood bath" in the country was not over—EL DIARIO, Lima, 24 July 1988.
9. The Senderistas were unable to conduct the massive terrorist actions scheduled for 19 June 1988, but they responded to Morote's arrest with a series of attacks which took the lives of around 30 people.
10. OIGA, 1988, No 378, p 47.
11. EL DIARIO, 29 May 1988.
12. Bingham found 3,000 golden artifacts of the Inca civilization in Machu Picchu and took them out of Peru. They are now kept in the Yale University Museum (United States).
13. OIGA, 1988, No 377, p 73.
14. In the first half of 1988, for example, 25-34 percent of all respondents expressed a preference for A. Barrientes, 14-24 percent supported M. Vargas Llosa, and 17-18 percent favored L. Alva Castro—CARETAS, Lima, 1988, No 990, pp 21, 8-9.
15. OIGA, 1988, No 366, pp 8-9.
16. The document announcing the creation of the front was signed by these three men on 12 February this year.

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### Problems of Disarmament for Latin America

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pp 3-18

[Article by S.V. Tagor: "Disarmament: An Approach to the Problem in Latin America"; editor notes that Cuba's position on this matter is not discussed in the article]

[Text] The Latin American countries have taken a definite position on nuclear and general disarmament. This position is clearly upheld in the United Nations, in the Movement for Non-Alignment, and in the activities of the "Delhi Six." It reflects the common views of the Latin American countries on the nuclear disarmament of the great powers and the arms building of the NATO and Warsaw Pact military blocs. There is no such consensus, however, on the arms race and disarmament in the region. In this connection, we can discuss only the position of a particular or group of countries.

### Reasons for Arms Race

The arms buildup in Latin America occurred because the atmosphere of intergovernmental relations in the region was frequently permeated with hostility and suspicion.

Several territorial and ideological conflicts contributed to the estrangement of the Latin American peoples.

Most of the Latin American countries also built up their military potential for the following reasons: 1) national rivalry, power politics, and expansionist government policies; 2) external threats caused by the aggressive policies of states outside the region; 3) conflicts between socioeconomic systems and ideological enmity; 4) internal destabilization caused by the actions of anti-government forces; 5) threats to the personal safety of national leaders; 6) the interests of industry, the government bureaucracy, and the technocracy.

It is a significant point that domestic policy considerations outweigh foreign policy concerns in the military-strategic doctrines of Latin American countries. The doctrine of "national security" influenced the development of the military complex greatly and then promoted the growth of the production of more weapons for counterinsurgency operations than for foreign wars. The same can be said of the doctrine of "ideological boundaries."

Eight of the twelve South American states made up the pairs involved in territorial disputes, and two were experiencing internal conflicts (Ecuador-Peru, Peru-Chile, Venezuela-Colombia, Venezuela-Guyana, Bolivia-Chile, and Bolivia-Paraguay; Peru and Colombia). Six of the eight Central American states made up the pairs engaged in hostilities with one another (Nicaragua-Costa Rica, Nicaragua-Honduras, Nicaragua-Guatemala, Guatemala-Belize, and Nicaragua-El Salvador), and three were experiencing internal conflicts (El Salvador, Guatemala, and Nicaragua). The political leaders of most of the young Caribbean countries were worried about their personal safety.

Any intensification of military activity in Latin America immediately caused a chain reaction, spreading from one pair to another. This was also the case in Central America, where Nicaragua built up its military potential because of the military preparations of El Salvador, Honduras, and Guatemala. Belize used the threats posed by Guatemala as the pretext to invite English troops, and El Salvador and Honduras accused Nicaragua of escalating the arms race in the subregion.

An important cause of the arms race in Latin America was the emergence of local "military power centers": Brazil, Argentina, and Cuba. Some countries, such as Brazil, Argentina, and Chile, began competing with other developing states for arms markets in the "Third World."

### **Regional Disarmament and Security**

The first proposals aimed at the guarantee of regional security through arms reduction began to be made in the region in the middle of the 1970's. Back in 1974, for example, the Government of Peru requested neighboring countries to suspend purchases of weapons abroad for 10 years and use the savings for economic development

needs. This request was mainly addressed to Chile and Ecuador. Territorial disputes with these countries were causing tension in Peru's relations with them. Only the leaders of Venezuela, Mexico, and Panama, however, responded to the Peruvian Government's proposal.

In December 1974, representatives of eight Latin American republics (Argentina, Bolivia, Venezuela, Colombia, Panama, Peru, Chile, and Ecuador) signed the Ayacucho Declaration, which was based on Peru's proposal and was actually the first agreement in Latin America on arms race restraints. In the declaration, these countries pledged to limit their arms purchases abroad. The declaration never went into effect, however, and mainly because the atmosphere of trust required for the realization of such initiatives did not exist in the region.

The first regional initiatives were of a fragmentary and sporadic nature. The Latin American countries could not agree on the start of talks on the restriction of the arms race, which was escalating in the absence of any kind of regional monitoring and regulating institution.

In the second half of the 1970's the Latin American states continued to strive for the conclusion of a regional agreement to curb the arms race and to institute specific measures for this purpose. In 1980, Venezuela, Colombia, Costa Rica, and Panama adopted a "code of behavior" based on the principles of the Ayacucho Declaration.

In spite of the active position these countries took on regional disarmament issues, it was largely of a declarative nature and was isolated from real action on the regional level.

The concept of "reasonable sufficiency" gradually began winning more and more support in Latin America in the middle of the 1980's. In accordance with this concept, the countries in the region already have the military potential they need to secure their defense, and any further buildup would lead to instability in relations between neighboring countries and in the region as a whole.

When the Uruguayan minister of the interior addressed the Third Special UN Session on Disarmament, which was held from 31 May to 25 June 1988 in New York, he said that the "Third World" countries were spending more than 130 billion dollars a year on military needs and that this was several times the amount of the financial assistance these countries receive in the form of development loans from the World Bank. For this reason, he advocated steps toward regional disarmament.

President Alan Garcia of Peru became one of the chief advocates of the concept of reasonable sufficiency. In July 1985 he issued an appeal to the governments of all Latin American republics to propose the conclusion of a regional agreement limiting arms purchases. The Peruvian president also proposed the establishment of an

atmosphere of trust between the military leaders of Peru, Ecuador, and Chile to reduce the tension in their relations.

The basis of the Peruvian approach to the matter was the idea of creating a system of regional cooperation and collective security to serve as an alternative to the use of military force as an instrument of international policy. The Peruvian Government reinforced its peace initiatives by approving the establishment of a UN Center for Peace, Disarmament, and Development in Latin America, and the center was opened in Lima in 1987.

In the opinion of the Peruvian Government, these actions were supposed to promote the creation of an atmosphere of trust in the region, without which any practical cooperation by Latin American countries in the disarmament sphere would be impossible. This has been discussed by various Latin American political leaders. The representative from Belize at the Third Special UN Session on Disarmament, for example, said that the creation of an atmosphere of trust between countries in the region is more important than disarmament itself. The first results have already been achieved in this area. They were specifically discussed by J. Sarney at the special UN session of disarmament. The president cited the Argentine-Brazilian agreement on nuclear cooperation as an example, saying that it had dispelled the rumors about a possible nuclear arms race in Latin America. He declared: "To underscore the significance of these decisions, the president of Argentina invited me and Brazilian scientists to tour secret uranium concentration and nuclear research facilities in Pecanha. I responded by inviting Raul Alfonsin to the opening of the Aramar Center in Yperó, where new uranium concentration and reactor development facilities are located. In Pecanha and Yperó, we showed our people, Latin America, and the entire world our confidence and our determination to work together for development, using nuclear resources for peaceful purposes."<sup>1</sup>

#### Disarming the "Unarmed"

The idea that the reduction of conventional arms should first be accomplished by the great powers has not been completely overcome in Latin America. According to this approach, it is still impermissible to "disarm the unarmed" and restrict the interests of "insufficiently armed" developing countries. It is still common opinion in the region that the Latin American countries should begin working toward regional disarmament only after the great powers begin nuclear disarmament and after military blocs and developed states take real steps to reduce conventional arms.<sup>2</sup>

The second session of the South American Committee for the Defense of Peace was held in Montevideo from 8 to 10 June 1988. A document entitled "Principles of Democratic Regional Security" ("Principios de la Seguridad Democrática Regional") was adopted at the session and included all of the ideas recently expressed in the region on peace and security issues. The ideas

presupposing the subordination of countries in the region to U.S. security interests, the view of neighboring countries as potential enemies, and the performance of the functions of regulating internal social processes by the armed forces are described as unacceptable concepts in the introductory portion of the document. This section also says that the doctrine of "national security" and, in particular, the idea of "ideological boundaries" are incompatible with the process of democratization in the region.

The document explains how countries in the region interpret the terms "security" and "defense." The first term covers economic, social, political, military, cultural, judicial, and ecological security, because threats to the security of these countries can include any of these aspects. The term defense, on the other hand, presupposes political and other measures to secure the independence, territorial integrity, and sovereign rights of any country against outside pressure or threats of force.

The document says that the main prerequisites for democratic regional security are the political—and not military—resolution of social conflicts, a move from conflicts to cooperation between American countries, and the indivisibility of security on the international level.

The danger of the "spread" of the Central American conflict forced Latin American countries to take more active steps toward a regional security system.

When the Contadora support group came into being and the number of Latin American countries directly engaged in the search for peaceful solutions to the conflict in the subregion rose to eight, they began to form a regional political institution accepting security commitments as one of its responsibilities. When Peruvian Foreign Minister Allan Wagner addressed the 42d session of the UN General Assembly, for example, he said that the "eight" were a "new symbol of democratic political unity and flexible policy. They are arranging for a coordination process in Latin America to unify the region and enhance its significance in world affairs. This will entail efforts to create a new political organization, develop economic strength, and change ideas about collective security."<sup>3</sup>

The Third Special UN Session on Disarmament was an important milestone in the regional approach to security issues in the next few years. In his statement at the session, Peruvian Foreign Minister Gonzales Posada discussed the growth of arms expenditures in Latin America. He said that "Latin America has tripled its military expenditures since 1978 and has thereby accumulated pseudo-assistance which is absolutely worthless at a time when we should have been dealing with the real enemies of the security of our people: poverty, hunger, the vulnerability of democratic institutions, terrorism, the drug trade, and irregularities in relations with world centers."<sup>4</sup> He spoke of his country's intention to link payments on the foreign debt with the enhancement of



public well-being, to begin reducing expenditures on military purchases, and to spend as much money as possible on development.

The suggestion that steps toward disarmament be linked with the struggle for the establishment of a new international economic order is being voiced more and more insistently in the region.

### Disarmament for Development

Back in 1963 Brazil was already asking the states with the greatest military strength to consider the possibility of allocating 25 percent of the savings resulting from disarmament for economic development programs in developing countries and was suggesting that the UN states could allocate 1 percent of their military budgets for the creation of an international economic development fund for Third World countries. In 1964 Brazil submitted a proposal to the United Nations, suggesting the reduction of the military budgets of all states and the use of 20 percent of the savings for the creation of an assistance fund for developing states.<sup>5</sup> In 1978 and then again in 1984, Mexico proposed the opening of a temporary special account for development needs within the framework of the UN Development Program as a temporary measure, prior to the creation of a disarmament fund.

The degree of involvement by the countries of the region in the arms race varied because of differences in their ruling regimes, differences in their levels of economic development, and the consequent differences in their economic interests. In the most highly developed states of the region (Brazil, Argentina, and Chile), for example, it was the common assumption that the development of the local military industry would augment the economic strength of these countries. They regarded the production of conventional arms for export as one way of emerging from the economic crisis they blamed on their insufficient development and, in particular, on their limited export potential and their balance of payments in foreign trade. They saw arms exports as a tangible source of new foreign currency. To a considerable extent, this deprived these states of the moral right to protest the escalation of the arms race and to demand steps toward disarmament from developed countries.<sup>6</sup>

In the most highly developed Latin American states there are still many supporters of the theory that military research and development projects have a positive indirect effect on civilian branches of industry. They assert that the development of the military industry in the region is necessary not only because it strengthens the security of countries in the region but also because military research can be used in civilian branches. In their opinion, military branches represent a broad field for the "testing" of the latest technology.

It is significant that the supporters of this theory can influence their government's position on armament and disarmament issues. It is becoming increasingly difficult, however, for these people to defend their position. The

idea that disarmament and development are interrelated has become popular and has won international recognition. Its supporters speak openly about the negative economic and social effects of the arms race in the countries of the region. In many Latin American states (particularly the least developed), there is an urgent need to make the colossal resources spent on armaments available for economic and social development needs.

This problem is attracting more and more attention in connection with the growing awareness of the economic need for disarmament and the realization of the damage inflicted on the prospects for national and regional economic development by the expenditure of resources on military production. Such countries as Mexico, Peru, Venezuela, Ecuador, Colombia, Panama, and Bolivia have affirmed their willingness to sign a multilateral agreement on the limitation of conventional arms in the region on the basis of the general principles recorded in the Ayacucho Declaration.

In the second half of the 1970's the Latin American countries were already displaying a tendency to avoid taking concrete steps toward regional disarmament and to insist that additional assistance for their economic development could be financed by the disarmament of developed states, which, in their opinion, should start working on this instead of demanding disarmament from the "insufficiently armed" developing world. There is no question that the Latin American countries are aware of the connection between disarmament and development, but they believe that the first part of this formula—i.e., disarmament—applies only to developed states, while the second—i.e., development—is a vital issue in the developing countries.

In the 1980's the Latin American countries drew a distinction between political problems and the economic aspects of disarmament. This happened because they assumed that developed and developing states would have different interests and pursue different goals in the implementation of a policy of disarmament. These differences, in their opinion, were similar to the different goals the two groups of countries were pursuing in their ideas of international economic cooperation and the new international economic order.

Appeals to link action in the sphere of disarmament with the struggle for a new international economic order can be heard in the statements by Latin American delegates at international forums. In their opinion, the unfair relations between North and South, which are a result of the existing system of international economic relations, have been the source of international tension and have undermined international security.

The contradictions in the policy of Latin American countries on disarmament were also apparent in the 1980's when their representatives loudly defended the "hard and fast" theoretical precepts regarding the incapable lack of correspondence between the interests of

the North and the South and their inevitable confrontation, while they were also joining the search for negotiated solutions to difficult global problems because they knew that the latter could only be solved through concerted effort. This was reflected quite clearly in the collapse of the theories of "self-reliance" and "horizontal cooperation." People in Latin America grew increasingly aware of their relationship of interdependence with the developed states. This led to the gradual revision of the traditional approach of states in the region to developed countries. At a UN General Assembly session in 1981, for example, the Peruvian delegate said: "There is a growing awareness in the region that our demands on developed countries should not reflect any kind of hostility or imply confrontation.... The energetic promotion of peaceful coexistence is the important job the Third World is doing."<sup>7</sup>

It is obvious that discussions of the connection between disarmament and development are influenced by the approach of the developing countries, which see disarmament issues in the context of conflicts between East and West, and development issues in the context of contradictions between North and South. This is the reason for the developing countries' unique interpretation of threats to their national security and for the priority they assign to development issues.

Latin American representatives at the Third Special UN Session on Disarmament reaffirmed the importance of the interrelated issues of disarmament and development and suggested that "the great powers agree to include a statement on cooperation for development in all future agreements on disarmament and arms limitation, and allocate a specific percentage of the resulting savings in military expenditures for the creation of a fund to combat poverty and hunger."<sup>8</sup> Attention is being directed to this aspect more frequently in connection with the global recognition of the economic need for disarmament and realization of the damages inflicted on national and regional economic development by the expenditure of funds and resources on military production.

#### Nuclear Disarmament and International Security

In the 1980's the Latin American countries began making increasingly loud statements of concern about regional and national security in the event of an international conflict involving the use of weapons of mass destruction. It became more and more obvious that there could be no such thing as a limited or local nuclear conflict.

There is also a growing awareness in Latin America that the doctrine of nuclear "deterrence," which paved the way for the first use of nuclear weapons and justified it, has now increased this danger considerably. The Latin American countries do not agree with some developed capitalist powers on this matter. An analytical document prepared in 1986 by experts from non-aligned countries (Argentina, Egypt, and India) and submitted to the UN secretary general, for example, said that it was wrong and

dangerous to allege that the doctrine of nuclear "deterrence" was having a positive effect on world peace. It also stressed that the developing countries have to live in an atmosphere of intimidation, which has become an element of the official foreign policy of several nuclear powers.

In summation, the experts stressed the need to give up the doctrine of nuclear "deterrence" because of its "immoral essence" and its negative effects on the developing countries and the international community as a whole.

Representatives of Venezuela, Peru, Mexico, Argentina, and Uruguay expressed agreement with this document at the 41st session of the UN General Assembly. At the Third Special UN Session on Disarmament, J. Sarney pointedly criticized the doctrine of nuclear deterrence, saying that the balance of terror was a form of aggression against humanity.

The Latin American countries were and are active supporters of the comprehensive agreement on a nuclear test ban. They applauded the unilateral Soviet moratorium on nuclear tests and requested the United States and other nuclear powers to join it. At the 41st session of the UN General Assembly, for example, the representative from Guyana said: "The moratorium on nuclear tests which was announced and repeatedly renewed by the Soviet Union, is a positive example of its willingness to reduce the danger of nuclear war."<sup>9</sup>

When disarmament issues were discussed at the 42d session of the UN General Assembly, the representatives from Peru, Ecuador, Trinidad and Tobago, Mexico, Bolivia, Venezuela, and Colombia issued another appeal for the complete cessation of nuclear tests.

In the 1980's the elaboration of comprehensive agreements to prohibit the use of space for military purposes and the extension of the arms race to outer space has been a pertinent part of disarmament. Representatives of Latin American countries were the co-authors of several resolutions appealing for international cooperation in the peaceful use of outer space. At the 41st session Venezuelan Foreign Minister Simon Alberto Consalvi said: "We will oppose any attempts to militarize outer space, which some people try to portray as a panacea and the main way of eliminating the nuclear threat, although it is actually only a new attempt to evade the political and ethical problems of our day with the aid of more advanced, complex, unrealistic, and expensive technological formulas."<sup>10</sup>

At the Third Special UN Session, representatives from Argentina, Brazil, Mexico, Peru, Venezuela, and other countries again advocated the prevention of the spread of nuclear weapons to outer space.

The signing of the Treaty on the Elimination of Intermediate-Range and Shorter-Range Missiles (INF) by the Soviet Union and the United States was commended by

Latin American countries. The Peruvian representative on the First Committee, for example, said that "the INF Treaty between the United States and the USSR is of exceptional importance. It will pave the way for more significant agreements."<sup>11</sup> At the 42d session of the UN General Assembly, support for this treaty was expressed by ex-President J. Lusinchi of Venezuela and by the prime ministers of Barbados and of Trinidad and Tobago. Argentine Foreign Minister Dante Caputo said: "This is the first time since nuclear weapons were invented that such an effective agreement has been concluded in the sphere of nuclear disarmament."<sup>12</sup> Obviously, the creation of a comprehensive system of international peace and security will only be possible in an atmosphere of continued Soviet-American dialogue.

At the 41st session of the UN General Assembly, the Soviet Union put forth a new and important initiative, asking members to consider the creation of this kind of system. The system of common security proposed by the USSR was based on the integral program for the elimination of nuclear weapons by the end of this century, set forth in M.S. Gorbachev's statement of 15 January 1986. Most of the Latin American states expressed resolute support for this peace initiative, saying that it was clearly the product of the great power's new political thinking. Ten countries in the region (mainly Caribbean states),<sup>13</sup> however, abstained from the vote on the draft resolution, and the delegates from El Salvador and Dominica were not present when the vote was taken. The main argument of the representatives of the abstaining countries was the allegedly vague wording of the resolution.

When the draft resolution on the creation of a comprehensive system of international peace and security was discussed at the 42d session, the leading Latin American states again expressed their approval of it. Representatives of 15 countries in the region, however, said that the wording of the resolution was still too vague and abstained from the vote. The representatives from Costa Rica, the Dominican Republic, and Haiti voted against the document because some of the points in the resolution would supposedly necessitate the revision or reform of the UN Charter.

Although several Latin American countries abstained from the vote or voted against the resolution on the comprehensive system of international security, they contributed to the creation of the system by supporting a non-confrontational political dialogue on the matter and expressing their willingness to continue it.

Latin American representatives at the 42d session mentioned M.S. Gorbachev's article of 17 September 1987, "The Reality and Guarantee of a Safe World," in which he outlined the ways of achieving a safe world. The representative of Uruguay on the First Committee, for example, noted the tremendous significance of the specific proposals made in this article. In his opinion, it was distinguished by the unity of ideas and their implementation, thoughts and their realization, the unity of words and action.<sup>14</sup>

M.S. Gorbachev's speech in the United Nations on 7 December 1988 had great repercussions in the Latin American countries. Without underestimating the importance of the proposals regarding the reduction of Soviet arms in Europe for the cause of peace and security, we must say that the countries in the region had a stronger reaction to the initiatives concerning solutions to the foreign debt problem. For example, President J. Sarney assistant for international affairs, Luis Felipe Seixas Correa, even called M.S. Gorbachev's proposal of a 100-year moratorium on the repayment of the foreign debt, or the cancellation of the debt altogether, a direct result of the Brazilian president's visit to the USSR and "an important victory for Brazilian foreign policy."

The faction representing the Popular Socialist Party of Mexico submitted a draft resolution to the Chamber of Deputies of the National Congress, calling upon the parliaments of all countries to take steps to secure the implementation of the proposals M.S. Gorbachev had made in the United Nations. The draft said that this applied above all to the proposals concerning the resolution of foreign debt problems, the transfer of the funds spent on the arms race to the resolution of social and ecological problems, and the intensification of talks on the elimination of strategic nuclear arms.

#### In Favor of Multilateral Disarmament Talks

Although the Latin American countries acknowledged the great significance of the dialogue between the great powers, they nevertheless expressed a preference for multilateral disarmament talks. The degree of commitment to the multilateral process can be judged by the active participation of Argentina and Mexico in the activities of the "Delhi Six." In his speech at the Third Special UN Session on Disarmament, President R. Alfonsín said that Argentina was participating in the activities of the "Delhi Six" in the hope of ending the deadlock in bilateral talks between the great powers on the complete cessation of nuclear tests by proposing multilateral talks.

The multilateral activity of the "Delhi Six" was most effective as long as there was tension in relations between the USSR and the United States. The peace initiatives of the "six" were addressed to the great powers but applied to the spheres of disarmament in which the talks between the great powers had reached an impasse during the period of stagnation in international relations.

Last year, however, the countries of the "Delhi Six" were less active precisely as a result of the development of Soviet-American political dialogue. Today it would be difficult for them to "reclaim the initiative" from the great powers, and there is no need for this. The countries of the "six" have not, however, given up the efforts to reach an understanding in the spheres of nuclear disarmament in which the dialogue between the great powers has not been productive. Their experience in finding compromises for the resolution of differences could be useful in this area.



Some of the failures in the bilateral talks between the great powers and the ineffectiveness of the UN resolutions on the cessation of nuclear tests have forced the countries of the "Delhi Six" to seek new fields of international cooperation for the elaboration of a nuclear test ban treaty.

Speeches by Latin American representatives at the Third Special UN Session provided the most complete theoretical substantiation of the multilateral process. In his speech, J. Sarney criticized the USSR and the United States for underestimating the contribution of the medium-sized non-nuclear countries to the cause of disarmament and proposed that bilateral talks be supplemented with multilateral talks, saying that "the weakening of the spirit of multilateral cooperation will hurt the cause of peace. However massive the arsenals of the great powers might be, disarmament cannot be a topic of discussion by only two superpowers. The matter is too important to be decided by two people, although they do bear the greatest responsibility for this."<sup>15</sup>

In reference to the contribution of non-nuclear powers to the cause of disarmament, the president of Brazil said: "The medium-sized countries have an important role to play in our day. I am certain that the decisive disarmament efforts that are being made by such countries as Brazil, combined with their determination to reduce inequality and asymmetry in the international system, are among the most important factors in the establishment of stronger international relations."<sup>16</sup>

The president of Mexico commented on the indisputable importance of the bilateral talks on nuclear disarmament between the USSR and the United States for the cause of peace and advocated multilateral talks in this sphere. He said, for example: "We feel optimistic about the recent convergence of the states producing nuclear weapons, but we cannot and should not give up our own rights or responsibilities. We must continue insisting on the decisive significance of multilateral talks. This is necessary... so that no state will remain uncommitted to a matter of such great importance."<sup>17</sup>

The Colombian foreign minister also advised the development of multilateral talks on disarmament, saying that mankind cannot secure a lasting peace on earth as long as the decisions on disarmament are made by only two great powers.

Some representatives of Latin American countries, however, complained about the lack of results in multilateral talks and provided their own explanations for this. The president of Argentina, for example, criticized the results of the work of the Conference on Disarmament, which, in his words, had not made much progress in stopping the nuclear arms race, preventing nuclear war, and prohibiting all nuclear tests.

The Venezuelan foreign minister also spoke of the unproductive nature of the multilateral talks on disarmament. He reminded delegates that it had been 10 years since the end of the First Special UN Session on

Disarmament and that mankind had still not achieved any concrete results in the international talks on this matter.

An analysis of bilateral and multilateral activities in the sphere of disarmament in the last 5 years (since the formation of the "Delhi Six") suggests that one form of activity cannot be substituted for the other. On the contrary, one must supplement the other. The bilateral talks between the great powers on nuclear disarmament are the necessary initial phase of the disarmament process, but this does not exclude the possibility of multilateral talks on nuclear and chemical weapons and on conventional arms.

#### Footnotes

1. UN Doc: A/S-15/PV.10, 20 June 1988, p 8.
2. H. Palma, "America Latina: Limitacion de armamentos y desarme en la region," Lima, 1986, p 29.
3. UN Doc: A/42/PV.5, 23 November 1987, p 51.
4. UN Doc: A/S-15/PV.5, 10 June 1988, p 41.
5. UN Doc: A/CONF/130/PC/INF/8, 28 February 1986, p 6.
6. "Disarmament. Periodical Review by United Nations," New York, 1986, vol IX, No 2, p 270.
7. UN Doc: A/36/PV.6, September 1981, p 51.
8. UN Doc: A/S-15/PV.5, 10 June 1988, p 41.
9. UN Doc: A/41/PV.25, 9 September 1986, pp 18-20.
10. UN Doc: A/41/PV.14, 1 October 1986, p 47.
11. UN Doc: A/C.1/42/PV.10, 22 October 1987, p 7.
12. UN Doc: A/42/PV.13, 29 September 1987, p 51.
13. Antigua and Barbuda, Honduras, Grenada, the Dominican Republic, St. Vincent and the Grenadines, St. Lucia, St. Christopher and Nevis, Trinidad and Tobago, Chile, and Jamaica.
14. UN Doc: A/C.1/42/PV.7, 20 October 1986, pp 18-20.
15. UN Doc: A/S-15/PV.10, 20 June 1988, p 6.
16. Ibid., p 7.
17. UN Doc: A/S-15/PV.12, 22 June 1988, p 38.

### Soviet-Latin American Economic Ties

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[Article by A.I. Olshanyy: "Elements of Success and Reasons for Failure"; first paragraph is *LATINSKAYA AMERIKA* introduction; words in italics as published]

[Text] Until just recently the articles in our journal on the foreign economic contacts of the USSR and other CEMA countries with Latin American countries invariably had "optimistic" titles like "Dynamics of Trade Relations," "Soviet Tractors in the Fields of the Continent," and so forth. Of course, the facts and figures in these articles were accurate, but the skewed approach, exaggerating isolated successes and ignoring the missed opportunities for "mutually beneficial cooperation," painted a picture that was closer to "fantasy" than "reality." Now our authors have written several articles in which they attempt an objective discussion of the state of affairs in the USSR's foreign economic relations with Latin American countries.

### Inertia of Stagnation

Trade and economic contacts between the USSR and the Latin American countries are distinguished by modest scales, instability, imbalances, and pronounced disparities. The USSR accounts for around 1 percent of the foreign trade of Latin American countries.

The USSR's exports to Latin American countries (excluding Nicaragua, where some deliveries are made in the form of non-refundable aid or on credit extended on preferential terms and unlikely to be repaid in the foreseeable future) decreased dramatically between 1982 and 1986 (by a factor of almost 1.8).

The USSR's negative balance of trade with the countries of the continent totaled 9 billion rubles between 1981 and 1986, a sum exceeding 12.6 billion dollars (in line with the current rate of exchange). During this period the USSR's export revenues paid for less than 20 percent of its imports from Latin American countries.

We can attempt to single out some of the main objective and subjective reasons for this situation.

One is the acute shortage of foreign currency the countries in the region are experiencing now that they have to use much of it to make payments on the foreign debt. With a view to their current level of economic development, the governments of Latin American countries are striving to reduce imports, prohibit deliveries of goods similar to those available in the local market, and make use of a broad network of protectionist barriers.

Another reason is the shortage of freely convertible currency in the CEMA countries for use in trade and economic operations with Latin American countries.

Another is the shortage of goods in the USSR and other CEMA countries that firms in Latin American countries want to import, and the weakness of the corresponding trade and economic infrastructure.

Another reason is the inadequate competitive potential of our country's goods in terms of quality, completion, delivery dates, warranty services, and payment terms.

Besides this, the production sphere in the countries of the region is filled with Western equipment and technology. Members of the business community have political and economic reasons to be wary of the replacement of traditional suppliers of equipment and materials with new ones, including suppliers in the Soviet Union and other socialist countries.

Another reason is the severe asymmetry and sizable negative balance in the CEMA countries' trade with Latin American countries.

Another is the practice of placing orders for the design and delivery of equipment and for medium-sized and large construction projects primarily with the aid of international bidding procedures. Past experience has proved that Soviet organizations still cannot quickly submit substantiated, technically and commercially competitive bids in line with the requirements of international procedures. Firms in Western countries and some CEMA countries use *standard* technical and commercial bids for this purpose. They are able to "coordinate" the bids with the actual projects within a few days or weeks.

Another is the willingness of our competitors (in contrast to our own "transnational" agencies) in the Latin American market to secure the financing for the design, delivery, and installation of equipment, and even for local expenditures in some cases, in line with the client's needs. The necessary financing is frequently secured with the aid of a credit "package" extended by the firms and banks of one or several countries on differentiated terms for a variety of goods and services.

The foreign trade organizations of the USSR do not always appreciate the fact that the common practice in the most highly developed Latin American countries—Argentina, Brazil, Mexico, Venezuela, and Colombia—is the assumption of responsibility by local firms for all pre-investment operations and related expenses (the collection of initial data, the compilation of technical and economic specifications, and technical design operations), construction and installation, and the manufacture of part of the necessary machines and equipment on the basis of industrial cooperation or joint ventures. In particular, in Brazil the "foreign component" of the value of equipment and technical services in construction projects should not exceed 20-30 percent of the total. Foreign firms generally provide assistance in the design, manufacture, and delivery of the most technically complex and unique high-technology equipment and supervise its installation. The client insists on the

manufacture of as much of the equipment, parts, and components as possible on the local level.

It is also significant that organizations in the USSR and other CEMA countries frequently send almost identical goods to the Latin American market, and this kind of "synchronicity" creates additional problems.

### **Incongruities in Supply and Demand**

The expansion of economic ties is being impeded by the Soviet foreign trade organizations' inadequate knowledge (even in comparison with organizations in other CEMA countries) of changing conditions in the Latin American market and their failure to take these changes into account in their actions and to "do as the Romans do." What other explanation could there be for the incident recorded in the final act of the 11th session of the Soviet-Brazilian Commission on Trade, Economic, Scientific, and Technical Cooperation (signed on 16 September 1988) concerning the contract signed in January 1987 by the Mashinostroy foreign trade organization and the SERON firm on the delivery of 30 mobile gas-turbine power plants. "The Brazilian side reported," the final act says, "that the matter was discussed by competent agencies of the Brazilian Federal Government, which concluded that the contract was signed in violation of existing Brazilian legislation on imported power engineering equipment (?!—A.O.) and was therefore null and void. The Brazilian side also noted that the Federal Government is neither party to the contract nor a guarantor of it and has no responsibility for its execution." Stepped-up industrialization and the development of export potential have changed the situation fundamentally in the Brazilian market. Brazil no longer has any interest in long-term agreements on deliveries of its raw materials in exchange for machines and equipment from socialist countries, the chief of the Second European Department of the Brazilian Foreign Affairs, Carlos da Rocha Paranhos, said at a seminar organized by the CEMA Secretariat and SELA and held in Caracas on 20-22 April 1988. The earlier experience of Soviet and Czechoslovakia organizations in the delivery of complete sets of equipment for the power plants built primarily in the state sector in the 1970's in exchange for deliveries of Brazilian coffee and other raw materials and semimanufactured goods traditionally exported by this Latin American country is no longer applicable.<sup>1</sup>

Brazil wants to carry out projects in industry and other sectors with foreign firms, including firms in socialist countries, on the basis of financial participation rather than participation consisting only of equipment deliveries. It wants maximum association with local industry and the use of its capacities, and it is interested in the transfer and effective incorporation of technology.

In view of the fact that, as a result of cuts in allocations for the state sector in the 1980's, "it can no longer play the role of the prime mover in trade relations with socialist countries," as Carlos da Rocha Paranhos said,

the organization or expansion of cooperation with the private sector, producing the necessary equipment, seems expedient.<sup>2</sup>

The changing conditions in the Latin American market are also connected with the protracted economic and monetary crisis in the countries of the region, which slowed down economic growth, intensified structural disparities in the economy, reduced the volume of capital investment in economic development, and necessitated the dramatic reduction of national and sectorial programs of socioeconomic development.

### **A Giant in the Role of "Junior Partner"?**

Soviet foreign economic organizations have been less able than organizations in several other CEMA countries to adapt to current conditions in the Latin American market.

The inefficiency of the overseas staff of the Ministry of Foreign Economic Relations (and of the Ministry of Foreign Trade and the State Committee for Economic Relations in the recent past) and of representatives of Soviet associations in the Latin American countries (with the exception of the trade representative and association representatives in Argentina and Nicaragua) is attested to by the following figures.

The USSR has more representatives of trade and economic agencies and associations in the Latin American countries than all of the other CEMA countries combined. In 1986 the Soviet Union, whose economic potential is immeasurably greater than that of the other socialist countries, had only half the export volume of other CEMA countries, and their volume of trade was 1.2 times as great as the Soviet volume.

Poland and the GDR exported more to the countries of the region than the USSR. Hungary almost reached the Soviet indicator.

Furthermore, Poland's exports to Brazil were six times as great as USSR exports. In terms of the cost of exports to Brazil, the Soviet Union was also surpassed by the GDR and Hungary, which had indicators 2.4 times and 2.3 times as high, respectively, as the Soviet indicator in 1986. The cost indicator of exports to Colombia was 3.6 times as high in the GDR and 1.7 times as high in Hungary as in the USSR. The USSR exports less to Venezuela than any other CEMA country.

In this connection, a more thorough examination of the experience of the European CEMA countries in the Latin American market is of definite practical value. Often, however, the comparison of the operational indicators of CEMA countries and the USSR in the Latin American market might remind our countrymen of the efforts made in the past to "uphold the nation's dignity."

The 1970's and 1980's were a period of active efforts to lay a legal- contract basis for trade, economic, scientific,



and technical contacts between the two groups of countries. They concluded more than 400 agreements of a general and specific nature on the intergovernmental level. The parties to these agreements were the CEMA countries and 19 Latin American and Caribbean states.

It must be said that the European CEMA countries have a richer legal arsenal than the Soviet Union in their relations with Latin American countries.

Several socialist countries concluded long- and medium-term agreements on deliveries of specific goods much more frequently and much earlier than the USSR and have conducted this work on a permanent rather than occasional basis.

To stimulate the development of new forms of cooperation, they began forming the appropriate legal-contract base. The CEMA countries were ahead of the USSR in this area, concluding agreements in the following fields:

Industrial cooperation, a field in which dozens of contracts were signed (for example, by Hungary, the GDR, and the CSSR with Argentina, and by Romania with Colombia). The USSR's only agreement of this type is with Argentina.

The avoidance of double taxation (for example, the contracts between Hungary and Brazil and between the GDR and Argentina). Agreements of this kind by Hungary with Argentina, Bolivia, and Uruguay are now being negotiated. The USSR has an agreement of this kind with Argentina, but it is confined to air freight.

The negotiations of agreements between Hungary and Bolivia and Uruguay on the stimulation of capital investment and on mutual investment guarantees are drawing to a successful close and should minimize commercial risks.

Inter-bank agreements and lines of credit are important elements of the European CEMA countries' cooperation with Latin American countries. The agreement between the national and foreign trade banks of Hungary and national or commercial banks in Bolivia, Brazil, Colombia, Peru, and Ecuador are being implemented successfully, for example. The USSR Foreign Economic Bank did not begin concluding such agreements with banks in Latin American countries (Argentina, Colombia, Mexico, and Uruguay) until the 1980's. The USSR Foreign Economic Bank and the central banks of Brazil and Ecuador are now negotiating such agreements.

Payments in freely convertible currency prevail in the trade and economic relations between partners from the two groups of countries. In 1986 they accounted for around 64 percent of all export and import transactions. Clearing transactions represented the other 36 percent. It is significant, however, that the proportional number of transactions in freely convertible currency was lower and the volume of clearing transactions was greater in 1986 than in 1980. This was due to the practice of coordinated

export-import operations on a broader scale. Clearing transactions are used in the export-import operations of Brazil and Colombia with Bulgaria, Hungary, Poland, and Romania; Brazil with the GDR; Ecuador with Bulgaria, Poland, the GDR, and Romania; Nicaragua with Bulgaria and Cuba; Guyana and Peru with Cuba. The USSR's payments with all the countries in the region, on the other hand, are made in freely convertible currency.

All CEMA countries have a permanent negative balance of trade with Latin American countries. The total negative balance in trade between the two groups of countries from 1980 to 1986 exceeded 20.6 billion dollars. During the same period the countries of the socialist community could cover only one-third of their import costs with exports to Latin American and Caribbean countries.

The USSR's trade with these countries is less balanced than that of other socialist countries.

For example, by expanding exports, Romania, the CSSR, and Poland were able to lessen the severity of this problem considerably by 1986. The Soviet Union's share of the total negative balance in trade between the two groups of countries from 1980 to 1986 was 69 percent, while the figures for other socialist countries were 7 percent for Hungary and Poland, 6 percent for the GDR, 5 percent for the CSSR, 3 percent for Cuba, 2 percent for Romania, and 1 percent for Bulgaria. Furthermore, the exports of several European countries are distinguished by greater variety than the USSR's exports to Latin American countries.

Exports of finished manufactured goods from Latin America encounter protectionist barriers and other limitations in the markets of Western countries. Under these conditions, the Latin American countries are becoming more interested in the considerable expansion of deliveries of manufactured goods to the markets of potential partners, including the CEMA countries. Deliveries of these goods to the countries of the socialist community are still quite small and of a limited variety, although definite positive changes are apparent in this area. The GDR has been more flexible than other CEMA countries in purchases of finished manufactured goods.

There are several serious deterring factors, however, in the trade in manufactured goods between partners from these two groups of countries. They include the partners' insufficient knowledge of one another's capabilities; their traditional ties with purchasers and suppliers; their apprehensions with regard to the quality of goods and their doubts about the possibility of arranging for the necessary technical services and regular supplies of spare parts; the shortage of freely convertible currency.

#### Elements of Success

At this time, possibilities for the extensive development of trade and economic relations between the USSR and the Latin American countries have been largely depleted. In connection with this, priority is being assigned to the

use of new forms of cooperation in relations between partners. The practice of new forms of trade and economic relations, which could include cooperative production, compensatory transactions, "cross-trade operations," joint-stock companies, multilateral cooperation, and so forth, should help to expand trade between the partners. In this sphere as well, organizations in the European CEMA countries usually have much more experience than Soviet organizations.

The experience of Soviet organizations in cooperative production for the Latin American market is still confined to the manufacture of some equipment for the Costanera-7 and Bahia Blanca thermal electric power stations and two turbines for the Piedra del Aguila hydroelectric power stations in Argentine plants with Soviet technical documents and the assembly of a low-power multipurpose tractor in Mexico with Soviet components.

Joint-stock companies are one of the forms of foreign economic relations that are becoming more common in relations between CEMA and Latin American countries.

Joint-stock companies have several features distinguishing them from other forms of economic relations. In this case cooperation is based on joint ownership, joint management, and the division of profits and losses among partners. This is the reason for the partners' interest in joint activity of a protracted, close, and always mutually beneficial nature.

It must be said that these companies have been less vulnerable than other forms of economic relations to changes in the political climate. This makes it possible to maintain commercial contacts during complicated periods in the evolution of relations between partners and to surmount administrative barriers blocking cooperation.

In all, 44 such companies have been established in Latin American countries, including companies jointly managed by Soviet organizations (2) and organizations in the CSSR (18), Hungary (8), Poland (6), Bulgaria (5), the GDR (3), and Romania (2). They are registered in 13 Latin American and Caribbean countries and have had a positive effect on the trade and economic relations between partners.

In 1988 mixed enterprises with participation by Latin American firms were first established within the territory of CEMA countries. These are three joint enterprises in the USSR. In 1988, for example, the first Soviet-Venezuela joint enterprise was established by the consumer service administrations of Moscow, Tallin, and Tbilisi and the Rostic International firm (Venezuela). This joint-stock company is opening stores ("Trayka" in Moscow, "Estonika" in Tallin, and "Skhivi" in Tbilisi) and offering photography, movie, and video equipment and related services to foreign tourists and to foreigners working in the USSR.

The establishment of the first joint enterprises in the Soviet Union with participation by Latin American firms marked the beginning of the incorporation of new progressive forms of cooperation, but this promising start might be discredited unless the enterprises can overcome the "traditional" Soviet market conditions the joint enterprises in our country are still encountering. The difficulties are connected, above all, with the failure of the Soviet side to fulfill its obligations concerning the guaranteed and steady delivery of crude resources and materials of the necessary quality; the improvement of the territory surrounding the enterprise, the construction of the necessary transportation infrastructure, and the establishment of systems for direct communication by representatives of the foreign firms with their offices outside the USSR; timely and reliable shipments of finished products to consumers; local personnel placement services. Personnel turnover is high because local personnel do not have the necessary skills, attitude toward work, or discipline. The creation of a permanent staff of experienced specialists from other locations is impeded by the absence of a system for the provision of the population with high-quality consumer goods and so forth.

Foreign partners are also confused by the bookkeeping at joint enterprises, which is wholly managed by the Soviet side. The primary purpose of bookkeeping at enterprises in countries with a market economy is to reveal the financial results of enterprise activities each month and to obtain the necessary numerical information in the first 5 days of the next month. This is the only way to keep track of profits and losses and to make the necessary adjustments quickly. Soviet bookkeepers are in no hurry to keep current records and are mainly concerned with compiling a general annual report. This approach cannot provide precise information about the financial operations of enterprises.

The work of the joint enterprise is also complicated by the differing approaches of Soviet and foreign managers to the final goal of their activity. For the foreign partner the most important thing is a high-quality product, because this can maximize profits. The Soviet side is most concerned with increasing the quantity of items produced, and Soviet specialists do not know enough about market conditions. "Apparently," PRAVDA commented, "our old vices, such as irresponsibility, the obsession with gross indicators, and the absence of any real desire to meet foreign standards in the sphere of production organization or in the sphere of product quality, are having a difficult time surviving under the conditions of joint operations with capitalist businessmen."<sup>3</sup>

Difficulties connected with the abandonment of the earlier authoritarian chain of command in economic management and the move to new forms and methods of production development are clearly reflected in the problems encountered in the establishment and operation of joint enterprises.

Most of the economic and technical cooperation between CEMA and Latin American countries is bilateral. In recent years, however, multilateral relationships have also been developed to some extent, including trilateral cooperation with partners from three groups of countries—socialist, developing, and developed Western countries. This form of cooperation is one way of strengthening general relations between states with different socioeconomic systems.

The cooperation of Soviet and Latin American organizations in the markets of third countries is still confined to joint participation by the Tekhnopromeksport association (USSR) and Odebrecht firm (Brazil) in the design and construction of the 500,000 kilowatt Capanda hydroelectric power station on the Cuanze River in Angola.<sup>4</sup>

In some cases firms from different states form consortiums to work on projects in Latin American countries. These consortiums are established for participation in international competitions for contracts and for the later work on these projects. In general, the use of new forms of cooperation is expanding trade and economic relations between CEMA countries and Latin American and Caribbean countries and is giving them a stable and lasting nature.

An analysis of the experience of CEMA organizations in Latin American countries reveals definite reserves for the development of cooperation by Soviet organizations in this market.

The use of "free trade zones" and "free industrial zones" should be added to the previously listed forms. There are dozens of "free trade zones" in the Latin American countries, and there are also "free industrial zones" (in Mexico, for example), where foreign firms are eligible for customs and tax privileges. Western firms are making extensive use of this channel for the development of trade and industrial ties. Organizations in the CEMA countries are also striving for this.

Czechoslovak foreign trade organizations, for example, have built a warehouse in the "free trade zone" near Montevideo for spare parts and components for the equipment shipped to all South American countries. This secures the quick and efficient technical maintenance of Czechoslovak equipment delivered to states in the region.

Soviet organizations are operating only in the "free trade zone" in Colon (Panama), delivering motor vehicles and other goods there for subsequent shipment to several other Latin American countries. The export revenues of Soviet organizations from these operations amount to 10 million rubles a year. Opportunities to use other "free trade zones" and "free industrial zones" are not being used.

An analysis of the foreign economic experience of Latin American countries with foreign states indicates that

their development (particularly under the present conditions of the prolonged monetary crisis in the region) is impossible without the support of banking services. These functions could be performed by a subsidiary (or branch) of the USSR Foreign Economic Bank or a joint Soviet-Latin American bank opened in one of the capitals in the region (Buenos Aires, Brasilia, or Caracas).

It is interesting that Brazilian businessmen realized the importance of these services before their colleagues from the socialist countries. The State Bank of Sao Paulo (BANESPA) announced plans to open a branch in Moscow. It has already accumulated considerable positive experience in the extension of credit through its branches in Tokyo, New York, San Francisco, Frankfurt-on-Main, London, Paris, Buenos Aires, and Grand Cayman.<sup>5</sup>

The arguments cited against the establishment of a branch (or subsidiary) of the USSR Foreign Economic Bank or a joint bank boil down to the assertion that the volume of trade and economic operations with countries in the region is not great enough. But the absence of banking services is one of the specific factors impeding the growth of this volume. The geographic boundaries of USSR relations with Latin American countries should also be expanded by including new partners from the countries of this region in them and by developing cooperation in all areas, from central administrative and economic regions to peripheral areas (participation in projects with firms and banks in different provinces). Organizations in Hungary, the GDR, and the CSSR are doing particularly effective work on this level.

We know that participation in projects financed by the IMF, IBRD, and IADB is reserved for organizations in the countries belonging to these international financial organizations. Organizations in Hungary, which is a member of the IMF, are making use of these opportunities.

There are exceptions to this rule, however, and the construction of the IADB-financed 424,000-kilowatt Penitas hydroelectric power station in Mexico is an interesting example of this.<sup>4</sup> The Skodaeksport production association participated in the delivery and installation of the main technological equipment, even though the CSSR is not a member of the IADB.

It is probably time to consider the presence of an observer from the USSR in the IADB, as in the case of the Asian Development Bank.

In conclusion, it must be said that radical changes in the USSR's trade and economic relations with Latin American countries will depend to a considerable extent on the fundamental restructuring of our national economy and the effective development of the country's export base with the use of the latest scientific and technical achievements and the improvement of the entire mechanism of foreign economic contacts to meet the demands of the world market. In this connection, it would probably be wise to concentrate efforts and coordinate all of



the work of organizing cooperation with countries in the region in a main administration for economic relations with Latin American countries, which must be established in the Ministry of Foreign Economic Relations. The present Main Administration for Economic Relations with African and...Latin American Countries is hardly capable of doing this because "it must take an identical approach, at least on the formal level, to our trade and economic ties with Brazil and, for example, with Swaziland or the Seychelle Islands."<sup>7</sup>

#### Footnotes

1. C. da Rocha Paranhos (Brazil), "Intervencion en el seminario," Caracas, 1988, pp 2, 3.
2. Ibid., pp 3, 6, 7.
3. PRAVDA, 10 October 1988.
4. "Brazil. Trade and Industry, Special Supplement," Brasilia, 1988, p 9.
5. Ibid., p 6.
6. "Czechoslovak Foreign Trade in 1988," Prague, No 4, p 37.
7. I. Fesunen, "The 'Tropical Giant' Squares Its Shoulders," NOVOYE VREMYA, 1988, No 40, p 16.

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#### Soviet-Argentine Trade Relations

18070273 Moscow LATINSKAYA AMERIKA in Russian No 3, Mar 89 (signed to press 20 Mar 89) pp 38-42

[Interview with Rodolfo Bonifatti, president of Proimex S.A., and Daniel Solda, AIERA executive secretary, by LATINSKAYA AMERIKA correspondent P. Yakovlev, in Buenos Aires: "More Realism and Flexibility..."; first paragraph is LATINSKAYA AMERIKA introduction]

[Text] Members of the business community of Argentina with considerable experience in contacts with the foreign economic organizations of the Soviet Union, President Rodolfo Bonifatti of Proimex S.A., and Executive Secretary Daniel Solda of the Association of Importers and Exporters of the Argentine Republic (AIERA), answered the questions of our correspondent in Buenos Aires, P. Yakovlev.

[Yakovlev] What is your opinion of the present level of Soviet-Argentine trade and economic relations? What are their main features and characteristics?

[Bonifatti] First I must say that it is my firm belief, based on many years of experience in business contacts with the USSR, that our countries seem to have been created for the express purpose of supplementing each other's economies and forming a trade and economic partnership on a grand scale. This could be called an objective

reality, engendered by the natural conditions and economic structures of the two countries and the "composition" of their foreign trade ties. In view of these favorable prerequisites, it is logical to anticipate a fairly high level of Soviet-Argentine economic relations. In part, this has been the case. Consider, for example, our trade volume. It totaled around 10 billion rubles in 10 years (1977-1986). I am certain that no other Latin American country, with the natural exception of Cuba, had such a sizable volume of trade with the USSR. The Soviet-Argentine cooperation in major construction projects of great national economic importance in Argentina, particularly power plants, is also a well-known fact. This cooperation is still going on and is spreading to new spheres of economic activity. One example is the solid contract which was signed just recently on work in the port of Bahia Blanca, which promises to enhance its capabilities considerably.

[Solda] These examples (and they are not the only ones) definitely indicate that Soviet-Argentine trade and economic ties have reached certain proportions and a certain level of diversification, but can their structure be described as optimal? What are the prospects for growth? It seems to me that there are many problems and "bottlenecks" in this area. For example, just consider the volume, depth, and intensity of foreign economic contacts and the degree of the interpenetration and, certainly, interdependence of the economies of the USSR and Argentina. In terms of these indicators, your country is far behind the leading capitalist countries. This is particularly striking against the background of the ongoing process of the integration of Argentina and other Latin American states into the world capitalist economy. The economic contacts of the USSR, on the other hand, are far below the integration level with Argentina or any other country in the region where relations have been developed more vigorously in recent years. There is another equally important point. Judging by all indications, Soviet-Argentine trade and economic relations are entering a more complex (in comparison with the first half of the 1980's) period of development. The main reason is the near-exhaustion of extensive forms of contacts, which had consisted mainly in huge Soviet purchases of Argentine agricultural products and minimal Argentine imports of Soviet goods. In 1984, for example, the USSR bought 45 percent of all Argentine exported wheat. As for Argentine purchases of Soviet products, they were frequently of a "political" nature—i.e., they were dictated less by economic needs than by the desire to create at least the semblance of mutuality in trade. In essence, the entire infrastructure of our relations is based precisely on Soviet purchases. It is clear that this cannot go on indefinitely.

[Bonifatti] Another cardinal problem is that we have been unable to optimize the structure of bilateral trade, and the result is that this structure does not correspond to the long-range tendencies of economic development in Argentina or the USSR. What do I mean? Above all, I am saying that Soviet foreign economic organizations

regarded (and frequently still regard) Argentina exclusively as a supplier of agricultural products, whereas manufactured goods already represent around one-fourth of all Argentine exports, and I feel that the possibilities for the development of foreign trade are connected precisely with the growth of these exports. The overemphasis on purchases of agricultural goods has also had a negative effect on the dynamics of Soviet-Argentine commodity exchange, which depended mainly on the increasing (or decreasing) severity of the grain shortage in the USSR and on conditions in the world market. In other words, it was not stable or consistent. As a result, the volume of trade between the two countries was subject to dramatic fluctuation: from 313.5 million rubles in 1979 to 1.1925 billion rubles in 1980, from 2.0029 billion in 1981 to 1.2929 billion in 1982, from 1.2923 billion in 1985 to 245.7 million in 1986, and so forth. I think that this "ragged rhythm" reflects mounting difficulties in our trade relations.

[Solda] There is also another point. Soviet foreign economic organizations have traditionally dealt primarily with the state sector of the Argentine economy, and these possibilities have also been largely depleted, both because of the troubled financial status of many enterprises in the state sector and as a result of their "privatization." The combination of all this is creating a qualitatively different situation requiring non-standard approaches and a search for new spheres and forms of Soviet-Argentine economic cooperation. This, in turn, is unavoidably connected with the elimination of other objective and subjective obstacles and difficulties.

[Yakovlev] What are, in your opinion, the main difficulties in Soviet-Argentine trade and economic relations?

[Solda] They are the Argentine side's still inadequate knowledge of the export capabilities of the USSR (and vice versa), the high level of saturation of the Argentine market with local and foreign goods of relatively high quality, Argentina's strong attachment to the Western market and its dependence on transnational companies and banks, shortcomings in the work of Soviet foreign economic organizations, the far from high quality of some Soviet goods, the actions of opponents of Soviet-Argentine cooperation, and so forth. Obviously, not all of these problems will be easy to solve, but much can and should be done, particularly in considerably enhancing the efficiency of Soviet foreign economic organizations. Just imagine the following situation. An Argentine firm is interested in buying some kind of equipment and sends a telex to three addresses: in Japan, the United States, and the USSR. What happens then? Within 2 days Japanese representatives are in Argentina with all of the necessary technical documents, within 3 days information is received from the American side, and half a year later another telex has to be sent to the USSR to request a reply. Unfortunately, this still happens.

[Yakovlev] How is the restructuring of the mechanism of foreign economic contacts affecting the development of Soviet-Argentine trade and economic relations?

[Bonifatti] We Argentine businessmen have great hopes for this process because absolutely new opportunities are being revealed literally before our eyes and we must make use of them. What will this entail? The use of new forms and methods of cooperation and the improvement of the entire mechanism of cooperation. In my opinion, the first things that have to be accomplished are a resolute move in the direction of broad commercial cooperation with the private Argentine sector, concrete efforts to diversify commodity exchange and the entire group of foreign economic contacts, the expansion of direct cooperation by Soviet organizations with Argentine provinces, the establishment of mixed enterprises and firms, and broader participation by the USSR in the modernization and development of the Argentine economic infrastructure and in the development of new territories and exploitation of natural resources, including marine resources. I think that perestroika will make all of this possible.

[Solda] I want to specifically stress that what we have to do now is not simply increase mutual trade (and this would even be impossible if we took the level of the early 1980's—i.e., 1.3-2.4 billion rubles—as a point of departure) but give it qualitatively new features corresponding to the capabilities of the partners and contributing to economic, scientific, and technical progress in our countries. For this, we have to get to know each other better. The Argentine industrial trade fair, organized by AIERA and the Soviet-Argentine Chamber of Commerce in Moscow in October 1987, was of great significance in this context. Bilateral symposiums, seminars, applied science conferences, discussions, and close contact between Argentine and Soviet specialists also play a positive role.

[Yakovlev] Is the Argentine side ready for new forms of cooperation? Have specific proposals been made?

[Bonifatti] In view of the objectives of perestroika and the economic capabilities of Argentina, it is probable that cooperation in two spheres will have the greatest impact: the production of consumer goods and the modernization of the food industry in the USSR. Argentina has something to offer the Soviet consumer in either case. As far as forms of cooperation are concerned, priority should be assigned to joint Soviet-Argentine enterprises. We are ready for this. It was precisely for this purpose that Promex opened its offices in Moscow. The first projects involving the creation of joint-stock companies have entered the stage of implementation. In particular, a firm manufacturing modern exercise equipment will be the first enterprise of this kind in the USSR. Other proposals are also being considered: joint enterprises for the production of packaged food concentrates, particularly soups, and cosmetics. The proposed opening of an Argentine restaurant in Moscow seems interesting to me. Other ideas also owe their existence to the perestroika process.

[Solda] Still, this is only the beginning of what might be called mutual commercial "meshing." I must say that the

representatives of Soviet foreign economic organizations who are operating under the new conditions are displaying more and more realism and flexibility. This is a good sign and it assures us that future relations will be successful.

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### Results of Seminar on Soviet-Latin American Trade

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[Article by E.L. Belyy: "Time for Action"]

[Text] Trade between the Soviet Union and the Latin American and Caribbean countries (excluding Cuba) amounted to around a billion dollars in 1988—i.e., less than 1 percent of the foreign trade volume of both sides. Until recently, one of the objective factors impeding economic ties was the geographic distance of the partners from one another, but the colossal growth of these countries' trade with Japan or, for instance, the PRC, which are no closer than we are to the Latin American continent, proves that other factors are the main obstacles, primarily the partners' insufficient knowledge of one another's markets.

One step toward the resolution of this difficult problem was the seminar on the conditions and distinctive features of operations in the Latin American market for the administrators of Soviet enterprises and foreign economic organizations on 20-21 December 1988 in the Center for International Trade and Scientific and Technical Contacts with Foreign Countries. The seminar was organized by the ILA [Latin America Institute] of the USSR Academy of Sciences with the USSR Ministry of Foreign Economic Relations and the USSR Chamber of Commerce and Industry. It was attended by researchers and the personnel of ministries and departments engaged in foreign economic operations and also by representatives of many Soviet industrial enterprises and diplomats and specialists from Argentina, Guyana, Mexico, Nicaragua, and Peru.

In an introductory speech, the official representative of the Chamber of Commerce and Industry, V.I. Telegin, mentioned the need to intensify foreign economic contacts between the USSR and the Latin American and Caribbean countries on a mutually beneficial basis, stressing that the improvement and expansion of reciprocal marketing services would be an essential part of this. Director V.V. Volskiy of the ILA, corresponding member of the USSR Academy of Sciences, spoke of the great significance of the Latin American market in international trade. The countries of the region account for around half of the industrial product of the Third World, although their industrial capacities are being utilized by only 70 percent on the average. Latin America sends only 15-17 percent of its products to the

foreign market. Besides this, it has a larger domestic market, which enhances import capabilities considerably. Many Latin American countries are trying to reduce imports in an effort to solve their financial problems. Brazil, for example, has reduced imports by 40 percent in the last few years. The cherished goal of export growth, however, cannot be attained without some expansion of imports.

The deterioration of economic conditions and the pressure of debts are forcing the countries in the region, primarily the "top three"—Brazil, Mexico, and Argentina—to seek ways of enhancing the competitive potential of their manufactured goods. They have had some success. In 1986, for example, 20 percent of the passenger cars imported by the United States came from Latin America. There is a demand for Latin American high-technology goods—office equipment and so forth—in West European countries. Brazilian aircraft builders are veritable monopolists in the Third World. It is significant that enterprises of the aviation, electronics, and other high-technology industries belong primarily to national private capital or the state sector.

The protectionist measures of developed Western countries are having an extremely negative effect on Latin American economic development. In 1988, for example, the United States raised the customs tariffs on 87 of Brazil's export goods by 100 percent.

During meetings with representatives of government and business groups in the states of the region, our potential partners have repeatedly urged Soviet colleagues to develop relations with private firms willing to purchase equipment and machines in the USSR on a compensatory basis. For its part, the ILA, V.V. Volskiy stressed, is prepared to use its material and intellectual potential to promote livelier Soviet-Latin American trade.

Other speakers at the seminar were ILA Deputy Director N.G. Zaytsev, doctor of economic sciences; Professor L.L. Klovkovskiy, head of the Economics Department and doctor of economic sciences; and head of the Forecasting Department V.M. Davydov, candidate of economic sciences. They discussed the effects of the debt crisis in the countries of the region on the dynamics of economic ties with the Soviet Union and the present state and future prospects of economic development in Latin American states. Candidate of Economic Sciences I.A. Bunegina, a researcher from the Scientific Research and Development Institute of the USSR Ministry of Foreign Economic Relations, analyzed the state of the Brazilian machine and equipment market, and this particularly aroused the interest of the representatives of Soviet machine-building enterprises at the seminar.

Professor I.D. Ivanov, doctor of economic sciences and deputy chairman of the State Foreign Economic Commission of the USSR Council of Ministers, discussed practical aspects of the current foreign economic operations of enterprises and associations. In his opinion, the



intensification of investment activity by Soviet enterprises and establishments in the region could become an important element in the expansion of foreign economic ties with Latin American countries. An official from the Ministry of Foreign Economic Relations, S.V. Dyachkov, discussed the legal-contract aspects of cooperation, noting that intergovernmental agreements with 14 states of the continent are now in force. General Director N.V. Zinovyev of the Association for Business Cooperation with Latin American Countries explained the functions of this new organization. The main one is the offer of practical assistance to Soviet and Latin American organizations interested in establishing contacts. The association is also expected to render assistance in cooperative production and joint ventures.

The Latin American diplomats who attended the seminar spoke of the colossal disparity between potential and actual levels of Soviet-Latin American economic contacts. In addition to the deterring factors mentioned by Soviet speakers, others were cited by the Latin American representatives—bureaucratism, procrastination, the lack of practical incentives for the personnel of Soviet foreign trade agencies, and the limitations and excessive difficulties involved in arrangements for business trips in the USSR.

The restructuring of Soviet foreign economic contacts will take a great deal of effort. As V.V. Volskiy stressed, economic expediency should be the dominant criterion in this sphere today.

In general, the atmosphere at the seminar was business-like: There was no response to speeches consisting of generalizations of a "varnished" nature, and speakers who used the rhetoric of the "stagnant era" found themselves in an extremely difficult position.

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### **Costa Rica's Arias Interviewed on Central American Peace Plan**

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[Interview with President Oscar Arias Sanchez of Costa Rica, winner of the Nobel Peace Prize, by *LATINSKAYA AMERIKA* correspondent A.N. Borovkov, in San Jose in December 1988: "No One Can Find a Better Solution to Central America's Problems Than We Can"]

[Text] [Borovkov] Mr. President, your plan for the settlement of the conflict in Central America was seen by the world public as an important move revealing real prospects for the resolution of numerous problems in the region. How would you evaluate the results of the implementation of this plan since the time the Guatemala accords were signed in August 1987?

[Arias] I feel that the results have been positive in general. If, however, we had displayed greater will, we might have progressed much further. I think the desire for agreement I saw in Guatemala on 7 August 1987 was not reinforced by an equally strong desire to observe agreements or act on the understanding reached in Esquipulas-II. The opponents of dialogue (the best way of settling conflicts in the region) make constant references to the non-observance of agreements in an effort to bury the peace plan once and for all.

Here in Costa Rica we often hear that the plan has suffered "minor wounds"; then we hear that it has been "mortally wounded," and then it is killed and buried, after which it is resurrected a few days later, just to begin suffering minor and then mortal wounds and be killed, buried, and resurrected all over again.

Therefore, if we had made a greater effort to carry out the peace plan, we would have performed a tremendous service for the five Central American countries. After all, the people who are trying to "kill and bury" the plan are those who want the war to continue. These gentlemen are acting against the wishes of the overwhelming majority of people in Central America, who are most certainly striving to put an end to the war and establish peace.

[Borovkov] You mentioned the insufficient will on the part of agreement signatories as an internal factor impeding the fulfillment of the Esquipulas-II agreements. What can you say about external factors?

[Arias] Quite frankly, I feel that the implementation of the plan will require greater responsibility on the part of the countries which supported it. Stronger diplomatic pressure must be brought to bear on agreement signatories so that the plan will not turn the hopes we awakened on 7 August 1987 into a joke.

In meetings with many heads of state in various situations, I have expressed dissatisfaction with their indifferent attitude toward the conflict in Central America. I have asked the leaders of European states, the EEC members, who once supported the plan unanimously, why they have remained silent when they could see that it was obviously not being implemented.

The same is true of neighboring Latin American countries, particularly the Contadora group, which has not given the Central American problem the attention it deserves.

I expressed my regrets to the members of the Group of Eight concerning their failure to raise their voices in anger at the non-observance of the agreement by governments, especially the governments involved in the conflict, the governments of countries where the fratricidal warfare is still going on. They simply kept silent, and I feel this is unforgivable, because this means that they did not care enough about the search for peace in Central America.

I feel that the final resolution of the conference in Punta del Este was too weak and that Central America deserves more than what was said there.

I hope that now that Carlos Andres Perez has taken charge, the issue of peace in Central America and the issue of the foreign debt will occupy an important place on the agenda of the Group of Eight.

[Borovkov] When you look back now, do you, as the author of the plan, see any flaws in it? Do you think it would be wise to perfect the document and put forth some kind of new initiatives?

[Arias] I think that the Esquipulas-II Treaty, just as any other treaty, cannot be absolutely satisfactory to all sides. Incidentally, I had to change many statements in the first draft in order to reach the agreement, and the treaty, like any other human creation, could be improved or perfected. I think, however, that this is not the crux of the matter. The main thing now is that we who signed the treaty must honor it, we must honor the pact we made in Esquipulas, and this is probably the main objective for 1989.

What I do not see is the possibility of replacing the peace plan with something else, because I feel that this plan, with all of its flaws, is the best thing we Central Americans can achieve, in the sense that no one can find a better solution to Central America's problems than we can. And this is exactly what we did. This is why I have no intention of putting forth any new initiatives. The main thing is to implement what was signed.

[Borovkov] When the foreign ministers of Central American countries met in Mexico at the end of November 1988, they sent a letter to the United Nations and the OAS to ask for the support of these two international organizations in the creation of a group to verify the observance of agreements on Central America with the participation of representatives from Spain, the FRG, and Canada. Can you explain the difference between the functions of this group and the earlier International Commission for the Oversight and Verification of the Fulfillment of the Guatemala Accords?

[Arias] You know, I must say that I do not see any significant difference. It seems to me that they have essentially the same functions, the same powers, goals, and rights.... I really see no significant difference between the two groups.

[Borovkov] How much importance did you attach to the conferences of the heads of the five Central American states?

[Arias] Experience has shown that each presidential conference has led to progress in some area. Later, regression is possible, and we always regret this very much, but each time the five of us have met, our conversations have been extremely frank and sincere. The differences between us have been apparent, but the

common denominator of these meetings has been our constant progress in carrying out the peace plan.

[Borovkov] Do you feel that the Central American policy of the United States will change now that G. Bush is in the White House?

[Arias] I think it will. President Bush is much less committed to the Nicaraguan contras than President Reagan was. I think Bush intends to rely more on diplomacy in resolving conflicts in Central America. What we need now is for the Soviet Union to display the same intention.

[Borovkov] What do you think of the USSR's proposal to the United States regarding mutual reductions in arms shipments to Central America?

[Arias] I think this is very good and positive. The fact is, I do not think Nicaragua needs any more weapons. It already has more than enough. Is this not true?

[Borovkov] If you are asking for my opinion, I am certain that Nicaragua would not need a single rifle if it were not the victim of aggression. The Sandinista government has stated its position on this matter quite clearly.

[Arias] But I am not convinced that this is true. I think the nine Nicaraguan commandants had a different intention. Armed men took power with the aid of weapons, and now they probably want to hold on to this power with the aid of weapons.

I am not convinced that the nine commandants are ready to take the chance of losing their political power. In any case, however, they did assume this obligation, because the most important part of the peace plan is a survey of the Nicaraguan people to find out if they want the Sandinista Government or Sandinista Front to stay in power.

I think the curtailment of military aid to irregular units is very important in this case. This is one of the basic premises of the peace plan and, unfortunately, it is not being observed.

[Borovkov] Do you feel that the Nicaraguan contras also have enough weapons?

[Arias] The American Congress already decided not to give the contras any more assistance, and I hope that there will be no more of this in the future, but now we have to stop the support for Guatemalan and Salvadoran partisans. I do not agree with the assertions that these partisans are acting autonomously and independently.

[Borovkov] Which countries, in your opinion, are supporting these partisans?

[Arias] Well..., many countries. Nicaragua is a possibility, and Cuba is obviously one of them. I do not have

any exact data, but it goes without saying that the partisans are getting financial and emotional support from the socialist world.

I told Fidel Castro: "I have asked the United States, and President Reagan specifically, to put an end to the policy based on the false assumption that there is a military solution to Nicaragua's problems. Now I am asking you, Commandant Fidel Castro, to give up the attempts to win a victory for the Salvadoran partisans by military means." I hope to receive an answer one of these days, possibly soon, when we meet at the inauguration of (or the transfer of power to) President Carlos Andres Perez. The answer will certainly help me, or help us Central Americans, carry out the peace plan.

Support for the peace plan is expressed in the book "Perestroyka." I rarely meet anyone who opposes it, but actions are not always consistent with words.

[Borovkov] In the same book, M.S. Gorbachev invites the American leadership to join him in seeking solutions to problems in the Third World. What do you think of this, with a view to Central America's problems?

[Arias] I am certain that peace in Central America will depend to a considerable extent on the two superpowers. If regional conflicts occupy a more important place in talks between Mikhail Gorbachev and George Bush than they did in the past, and if both sides make considerable advances in the resolution of problems or conflicts in the Persian Gulf, Afghanistan, and southern Africa, it will be Central America's turn.

I still think the rich countries in the East and the West should give the developing world more assistance. I think, for example, that the Soviet Union should offer more assistance, and we are usually quite upset when much of the assistance is used to strengthen armies instead of for economic and social development.

Costa Rica is unique in this respect because, luckily, we do not have an army, and the money we might have spent on military planes, helicopters, tanks, or guns in the last 40 years has been spent on education and public health, and now mainly on housing construction.

If we had been able to get more assistance from industrially developed states, this would have been very good and very useful. If we had been able to get more support for the efforts of the five Central American countries to surmount underdevelopment, this would have been quite beneficial. But this is not easy.

All of the goals set in the past, particularly the allocation of a certain percentage of the GDP of each developed country for foreign aid, have never been reached.

Nevertheless, I feel that things are moving in the right direction. The agreements the Soviet Union and United States reached are an extremely important step, and we can only regret that this did not happen much earlier. But there is a right time for everything, and I believe that

we have good reason to feel optimistic about even stronger detente between the two superpowers.

Mr. Gorbachev's speech in the United Nations aroused great hopes for future changes which will benefit the Third World, and we Central Americans also hope and believe that the five countries of the Central American isthmus will enjoy many of these benefits.

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### Results of Moscow Conference on Cuba

18070273 Moscow LATINSKAYA AMERIKA in Russian No 3, Mar 89 (signed to press 20 Mar 89) pp 141-144

[Report by V.A. Borodayev on international science conference in Moscow on 13 January 1989: "Strength in Diversity"]

[Text] The first day of January 1989 was the 30th anniversary of the Cuban Revolution. This was the topic of the international science conference on "Cuba: Construction of Socialism (Experience, Problems, Prospects)," in Moscow on 13 January. Researchers from the AON [Academy of Social Sciences], IML [Institute of Marxism-Leninism], and ION [Institute of Social Sciences] of the CPSU Central Committee and the ILA [Latin America Institute] and IEMSS [Institute of the Economy of the World Socialist System] of the USSR Academy of Sciences, scholars of Latin American affairs from Leningrad, Kiev, Donetsk, Gomel, and Tula, and Cuban post-graduate students and Cuban workers being trained in Moscow took part in preparing and organizing the conference.

Two scientific reports and three speeches by Soviet researchers and a speech of welcome by Rafael Mirabal, an envoy from the Embassy of the Republic of Cuba, were presented at the plenary meeting. The report by Corresponding Member of the USSR Academy of Sciences R.G. Yanovskiy, rector of the AON of the CPSU Central Committee, on "The Cuban Revolution's 30 Years of Triumphant Progression," discussed the historic significance of this event and the important milestones of the revolutionary process. Deputy Director of the ILA of the USSR Academy of Sciences A.D. Bekarevich, candidate of economic sciences, analyzed past and future aspects of the creation of a socialist economy in Cuba in his report. General and particular features of the Cuban Revolution, the role of the Marxist-Leninist nucleus of the "Movement of 26 July" in the intensification of the revolutionary process, and the creation of a single revolutionary vanguard, culminating in the establishment of the Communist Party of Cuba, which took charge of socialist construction in the country, were discussed in speeches by Candidate of Historical Sciences M.A. Manasov (IEMSS, USSR Academy of Sciences), Doctor of Historical Sciences A.A. Pavlenko (IML, CPSU Central Committee), and



Candidate of Historical Sciences M.I. Mokhnachev (ION, CPSU Central Committee).<sup>1</sup>

Vigorous work was conducted in the four discussion groups at the conference on "The Political System of the Socialist Society in Cuba: General and Particular Features," "The Establishment of a Socialist Economy: Experience and Problems," "Socialism and the Development of the New Individual in Cuba," and "Socialist Cuba in Contemporary International Relations."

The discussion group on the political system was attended by a large group of Cuban researchers and party and government officials on work assignments or in post-graduate programs in the AON, CPSU Central Committee. This gave the scientific gathering commemorating the anniversary more practical significance and helped to direct the energy of creative inquiry into analyses of unsolved problems in socialist construction. It also shed light on some of the "blank spaces" in the history of the Cuban Revolution.

Candidate of Historical Sciences Yu.G. Belovolov (Donetsk State University) discussed the sources of the dissemination of Marxism-Leninism in the Cuban labor movement. His speech was supplemented quite proficiently by Cuban researcher Orlando Cruz Capote. He used papers from Comintern archives, some of which had never been available to the scientific community before, to describe the role of this international organization in the establishment of the young communist parties in Latin American countries, and in Cuba in particular. O. Cruz objected vehemently to the attempts of some researchers who review the history of the Comintern from today's perspective and deny its colossal positive contribution to the dissemination of the progressive revolutionary ideology. It was on this basis, according to the speaker, that the creative interpretation of scientific socialism in line with the specific national realities of Cuba and other countries in the region began in the 1930's.

The Revolutionary Government played an important role in the functioning of the political mechanism of administration in Cuba from 1959 to 1976. The report by Cuban researcher N. Cruz revealed its significance as the organ of the period of transition to socialism.

Past experience in the functioning of social organizations engendered by the creativity of the masses and their place in the implementation of plans for socialist construction were discussed at length. The international significance of the Cuban experience was underscored in the reports by Candidate of Historical Sciences Yu.A. Shashkov (Leningrad State Pedagogical Institute) and Candidate of Historical Sciences V.I. Sokolova (ILA).

The arguments with non-Marxist historians about key problems in the development of the Cuban society were discussed at length in statements by the author of this report and Candidate of Historical Sciences L.S. Poskonina (ILA). Subsequent discussion revealed other controversial issues, particularly those connected with

the determination of the exact phases of the Cuban Revolution's development and, above all, the chronological framework of the transition period, the definition of the distinctive features of the Cuban model of socialism, and the international significance of the Cuban experience.

The content of the work conducted in the discussion group on "Socialism and the Development of the New Individual in Cuba" was determined by the topic. Candidate of Economic Sciences N.I. Ryzhkov (AON) reported on the close connection between the development of democracy and the heightened activity of workers. Speakers mentioned the role of E. Che Guevara in the development of democracy in the production sphere and the cultivation of the new attitude toward labor.

Doctor of Philosophical Sciences B.N. Bessonov (AON) revealed the role of revolutionary traditions in the development of the new individual. The colossal importance of the ideas of J. Marti about the combination of education and labor for balanced personality development was mentioned in this discussion group. Participants spoke of Cuba's indisputable achievements in the internationalist education of the public.

The triumph of the revolution and the sweeping reform of the entire socioeconomic structure of the country established the objective prerequisites and created real opportunities for a socialist economy in Cuba. This was the topic of the discussion group on "The Establishment of a Socialist Economy: Experience and Problems." The discussion focused on four fundamental issues: the formation of a modern national economic complex through the development of traditional and new high-technology and resource-conserving branches of the economy; the creation of the optimal economic mechanism; the role of the human factor in more effective and stepped-up economic development; Cuba's place and role in socialist economic integration and the significance of its cooperation within the CEMA framework.

The state of the Cuban economy was analyzed in depth in the speech by A.D. Bekarevich (ILA). He revealed the causes of current difficulties in the Cuban economy. The speaker summarized past experience and pointed out existing possibilities for the resolution of economic problems. He also cited conclusive proof that the experience of Cuba, despite its difficulties, testifies that the socialist choice its people made three decades ago established the fundamental prerequisites for the genuine resolution of economic, social, and political problems that could not have been solved in a different social order.

The establishment of the socialist system of economic management in Cuba was discussed by Doctor of Economic Sciences S.L. Savin (AON). He showed how the system of planned economic management in Cuba at the present time can only be developed in an organic combination with the attainment of the objectives of the final stage in the construction of socialist foundations.

Problems in the establishment and development of the Cuban economic structure and economic mechanism, the country's socioeconomic development in the 1960's, 1970's, and 1980's, and the acceleration of the socioeconomic development of the republic were analyzed in speeches by Candidate of Economic Sciences G.N. Zuykov (IEMSS), Candidate of Economic Sciences G.A. Levykina (ILA), Candidates of Economic Sciences P.I. Sitnikov and T.N. Yudina (Moscow Pedagogical Institute), Candidate of Economic Sciences A.S. Sobolev (AON), and several other Soviet and Cuban researchers. The reports by Candidate of Economic Sciences A.A. Mikhaylov (IEMSS) and Cuban researcher I.M. Gonzalez Perez focused attention on new forms of Cuba's economic cooperation with CEMA countries and the possibility of using joint economic organizations of the CEMA countries in the economic development of Cuba.

Participants in the discussion said that Cuba's mechanical duplication of the Soviet economic mechanism did not produce the anticipated results and caused tremendous difficulties. In view of the negative experience in this sphere, Cuba began a process of "rectification" to correct these mistakes. Now the country is working on the harmonious combination of economic methods of management with a planned economy.

The need for more effective integration was underscored during the discussion of Cuba's place and role in socialist economic integration. Three different points of view were revealed: Some researchers believe that CEMA's colossal assistance has helped the country achieve grand results in economic development; some participants in the discussion said that although CEMA had given Cuba a great deal of assistance, it was not being used effectively; and a third group feel that CEMA has not helped Cuba enough.

Participants in the discussion also concluded that there were many flaws in the CEMA mechanism of cooperation. They include a flawed system of accounts and insufficient appreciation of the need for a comprehensive approach to the resolution of economic problems. There is no scientifically sound theory of cooperation.

During the discussion there was considerable support for the idea that the special program of CEMA cooperation with Mongolia, Vietnam, and Cuba should be carried out more consistently.

The topics discussed in the group on "Socialist Cuba in Contemporary International Relations" were of great interest to conference participants. Just as in the other groups, there were lively discussions of a broad range of issues here. Cuba's place and role in world politics and its solidarity with the people of the developing countries in their struggle to eliminate the remaining traces of colonialism were described in statements by Doctor of Historical Sciences A.N. Glinkin (ILA), Doctor of Historical Sciences M.T. Meshcheryakov (AON), Candidate of Historical Sciences K.M. Obyden (AON), Candidate

of Economic Sciences Ye.A. Kosarev (ION), Candidate of Historical Sciences V.F. Maslyukov (Gomel State University), Doctor of Historical Sciences Ye.S. Troitskiy (IML), and other Soviet researchers.

Cuba's political ties with the Soviet Union were analyzed at length during meetings of the discussion groups. The idea that Cuba's principled and dynamic foreign policy is an important factor in the defense of revolutionary gains within the country, the struggle for the establishment of a new international economic and political order, and the consolidation of peace in the international arena was the underlying theme of all the speeches. Several speakers stressed that Cuba's latest foreign policy actions have been quite consistent with the new political thinking.

After the results of the work in all discussion groups had been summed up, Corresponding Member of the USSR Academy of Sciences V.V. Volskiy, director of the ILA of the USSR Academy of Sciences, made a statement. He stressed that the strength of the Cuban Revolution has always consisted in Cuba's ability to find its own "recipes" for solving its own problems by using the experience of its friends. The strength of world socialism stems from the diversity of its models.

#### Footnotes

1. For a more detailed account of the contents of conference reports and speeches, see "Cuba: Construction of Socialism (Experience, Problems, Prospects), Scientific Conference on 30th Anniversary of Cuban Revolution, Moscow, 13 January 1989, Theses," Moscow, 1989 (edited by Candidate of Economic Sciences A.D. Bekarevich).

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**South African Foreign Minister on Soviet Threat**

18120115 Moscow *NEW TIMES* in English

No 30, 25-31 Jul 89 pp 18-19

[Interview with South African Foreign Minister Roelf F. Botha by correspondent Nikolay Reshetnyak: "The Time of Apartheid Is Over;" date and place of interview not given]

[Excerpt] We can argue about many things. In South Africa the belief persists that the Marxist, communist

Soviet Union wants to overthrow the legitimate government of South Africa, and intends to destroy religious liberty and democracy. I am not saying that this is correct, but we must speak to each other and understand each other better.

The time has come to state that the time for violence is over, as is the time of apartheid.

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